

OCT 17 1938

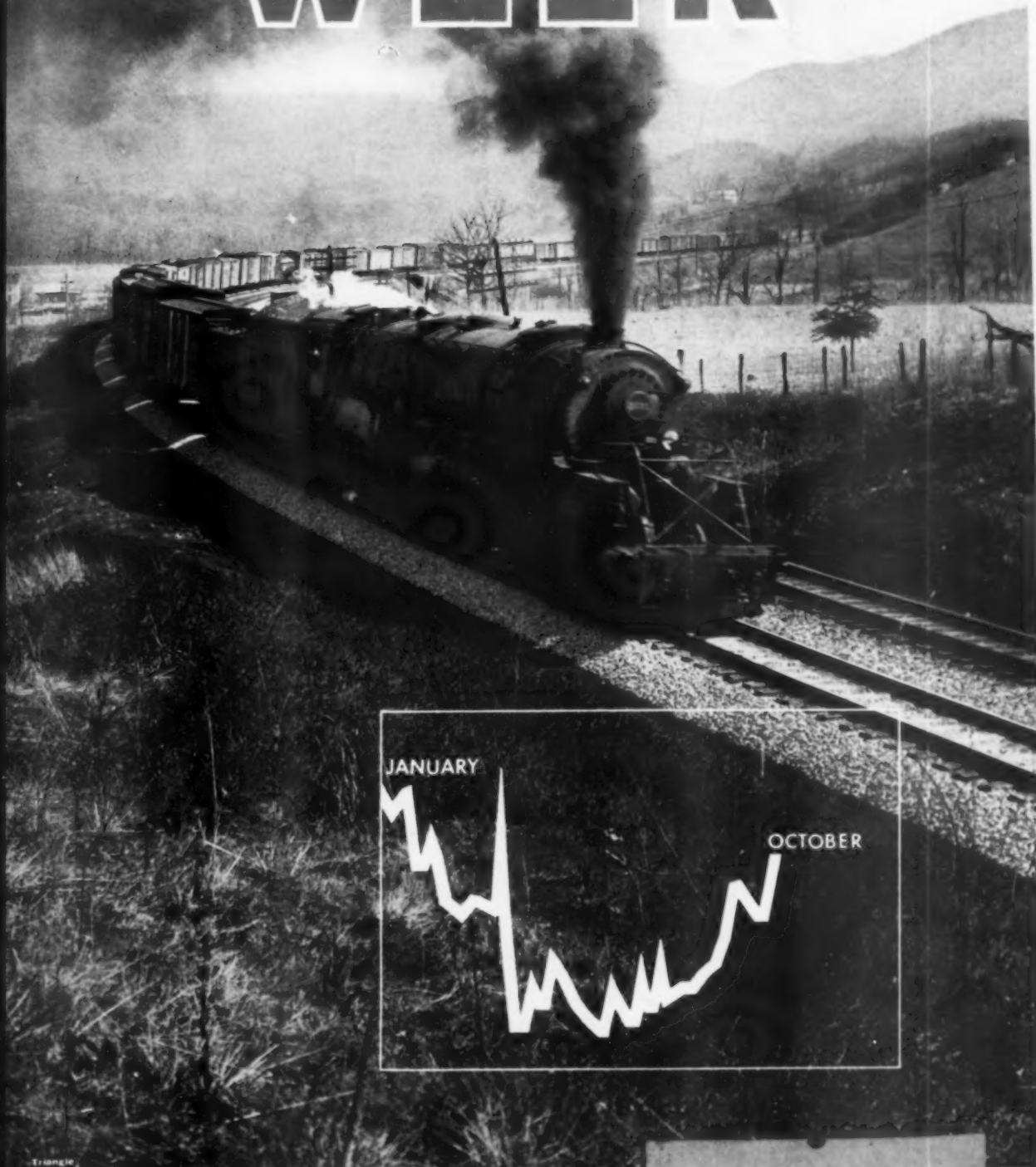
OCT. 15
9 3 8

BUSINESS
INDICATOR

← Year
ago

← Week
ago

BUSINESS WEEK



RAW-HILL
PUBLISHING
COMPANY, INC.

CENTS

ON THE UPGRADE—Carloadings, sensitive barometer of trade,
provide recovery evidence. (Plotted here, miscellaneous and
total carloadings with the seasonal swings eliminated.)

2-2

UNIVERSITY OF MICHIGAN
GENERAL LIBRARY
ANN ARBOR MICH

HOW A DRIVE REVOLUTIONIZED AN INDUSTRY!

Read the Amazing Story of How the Texrope Drive Main-tenance Costs on Spinning Frames to \$1.05 per Year . . . Saved Thousands of Dollars in the Textile Industry! Find out How Allis-Chalmers Equip-ment . . . the Equipment that Pays for Itself . . . Can Save You Money!

● They brought a tough job to Allis-Chalmers . . . those engineers from a large southern textile mill. They had trouble . . . plenty of it. They had drives that slipped or jerked, snapping fragile yarn on spinning frames . . . spattering oil on processed goods.

Production costs were running rampant. Spinning frames had to be stopped while repairs were made . . . while broken threads were re-tied. Oil-damaged goods had to be sold for a fraction of their actual cost . . . far below standard market values.

They came to Allis-Chalmers. And no wonder! For they knew that Allis-



DRIVING SPINNING FRAMES in a large southern textile mill are these Allis-Chalmers "Quick-Clean" Motors and Texrope Drives.

Chalmers, with an engineering back-ground extending over half a century, could help them. Allis-Chalmers did help them . . . and in doing so, revolutionized an entire industry!

from the true case history files that proves "IT PAYS TO BUY THE EQUIPMENT THAT PAYS FOR ITSELF"

For out of this engineering problem came the Texrope Drive. And because the Texrope Drive did not slip . . . did not jerk . . . did not break the yarn on the frames, production costs were cut to an absolute minimum throughout the textile industry. Actually, drive maintenance costs on spinning frames were reduced to the sensationally low average of \$1.05 per year!

From the Textile Industry to All Industry!

All this happened in the 1920's. And today throughout all industry . . . all over the world . . . the Texrope Drive is setting amazing records in cutting costs, in beating power waste. Texrope Drives have paid for themselves, hundreds of times over, wherever they are installed!

This true case history is not an unusual occurrence at Allis-Chalmers. It's another engineering solution to the constant problems that confront industry . . . another noteworthy addition to the Allis-Chalmers line of equipment that pays for itself.

Get the complete details on the way Allis-Chalmers can put 90 years of engineering experience to work for you. Get the facts. In the District Office near you, there's an Allis-Chalmers engineer who can show you how to make your plant a bigger money-maker . . . with the equipment that pays for itself.

PRODUCTS ENGINEERED TO PAY FOR THEMSELVES

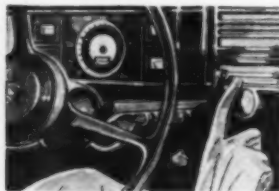
Electrical Equipment • Power Transmission Equipment • Steam and Hydraulic Turbines • Blowers and Compressors • Engines and Condensers • Centrifugal Pumps • Flour and Cereal Mill Equipment • Boiler Feedwater Treatment • Saw Mill and Timber Preserving Machinery • Crushing, Cement, and Mining Machinery • Power Farming Machinery • Industrial Tractors and Road Machinery



ALLIS-CHALMERS
MILWAUKEE • WISCONSIN

A Greater Plymouth at New Lower Prices!

THE VALUE IS UP—
THE PRICE IS DOWN



PERFECTED Remote Control Gear Shifting (left), with All-Silent Auto-Mesh Transmission, standard on "De Luxe." Much easier shifting.



NEW AMOLA STEEL Coil Springs (right), finest design known, give a wonderful new ride.

1939 Plymouth brings New Luxury and Style, a Marvelous New Ride!

EVERYWHERE people are saying the new 1939 Plymouth, at new lower prices, is the great car buy of the year! And here's why...

It's a bigger car...with new High-Torque engine performance and new economy.

New Amola Steel Coil Springs and the famed Floating Power engine mountings give a new smooth ride!

Easy to own—your present car will probably represent a large proportion of Plymouth's low delivered price... balance in low monthly instalments. PLYMOUTH DIVISION OF CHRYSLER CORPORATION, Detroit, Michigan.

MAJOR BOWES' Amateur Hour, C. B. S. Network, Thursdays, 9-10 P. M., E. S. T.



THE NEW 1939 PLYMOUTH "ROADKING" Two-Door Touring Sedan. See your Plymouth dealer!

For 1939, Plymouth Brings All These Big Engineering Features:

1. Longer Wheelbase—now 114 ins.
2. New High-Torque Engine Performance with new Economy.
3. Perfected Remote Control Gear Shifting—more convenient.
4. New Auto-Mesh Transmission.
5. New Amola Steel Coil Springs give a wonderful new ride.
6. New True-Steady Steering.
7. 100% Hydraulic Brakes.
8. Rust-proofed All-Steel Body.
9. Floating Power Engine Mountings.

EASY TO BUY

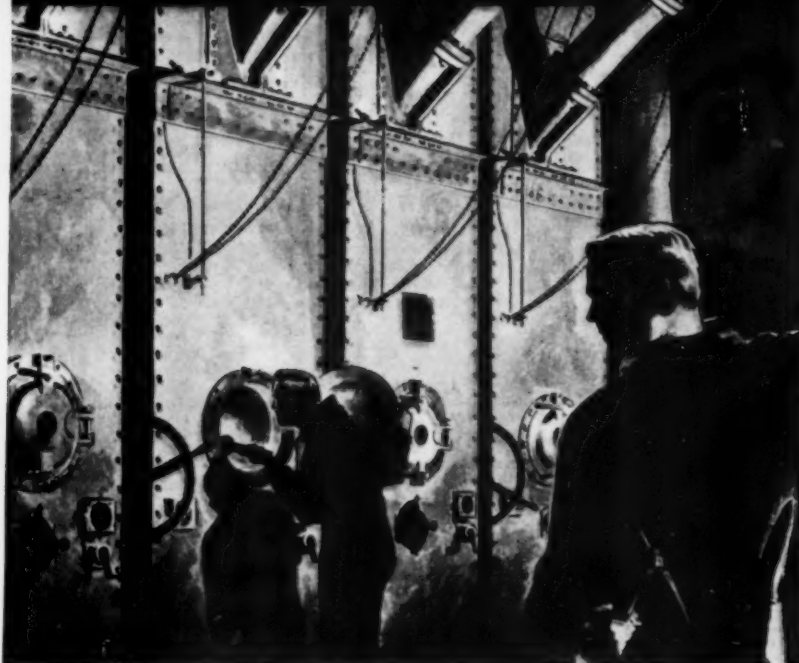
"Detroit delivered prices" include front and rear bumpers, bumper guards, spare wheel, tire and tube, foot control for headlight beam with indicator on instrument panel, ash-tray in front and rear, sun visor, safety glass and big trunk space (19.3 cubic feet). "Roadking" models start at \$645; "De Luxe" models are slightly higher. Prices include all federal taxes, Transportation and state, local taxes, if any, not included. See your Plymouth dealer for local delivered prices.

PLYMOUTH BUILDS GREAT CARS

NEW "ROADKING"
NEW "DELUXE"



SAVING A BOILER ... AND A BUDGET



When "caustic embrittlement," the most insidious of all boiler diseases, gave evidence of its presence in boilers which Hartford Steam Boiler had been asked to insure, the owners feared that the battery was doomed. The plant budget seemed threatened by a premature and highly expensive replacement.

At this point, Hartford's experience and skill proved their worth. Specialists from the Home Office went to work. For one solid week they reamed, hammered, probed, peered. Then, the investigation concluded, Hartford Steam Boiler outlined practical, economical repairs which permitted additional years of service.

The plant owner saved \$50,000.

Things like this explain why the

company writes about half of all power-plant insurance in the country. Such savings, wrought by the specialized knowledge of Hartford men and management, have often saved policyholders the equivalent of many years' premiums.

Hartford Steam Boiler's *primary function is to insure* the boilers and machinery under its policies. But, that industry's investment may continue safe . . . that plant-crippling accidents may be less likely to occur . . . *Hartford inspects*. And its record of 18,000,000 inspections invests its judgment in matters of power protection with high authority.

Ask your local agent or broker how Hartford's vigilance can take your power-plant troubles by the forelock.

THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY HARTFORD, CONNECTICUT

Oldest in the Country, Largest in the World - Engineering Insurance Exclusively



THIS BUSINESS WEEK

IF YOU GOT A THOUSAND BUSINESS MEN together in one room and asked them, "What's your present No. 1 business problem?"—you'd get a lot of different answers. But we judge that by far and away the most mentions would have to do with the wage-hour law. October 24 is *Der Tag* for compliance, and employers are still somewhat foggy as to how—and how much—the law affects them.

For months now, *Business Week's* Washington Bureau has been pestering the life out of Administrator Andrews and his assistants to get the low-down on how the Fair Labor Standards Act is going to be applied. We've gone to Washington with all the questions, our own and readers'. We've checked against the statute itself, and consulted with informed advisers in law.

The results—practical answers to practical questions—have appeared in recent issues. This week brings, on page 17, "What's What in Wage-Hour Law"—a final roundup of the best advice available, presented with the warning that many of the questions asked today can only be answered with finality by the courts tomorrow.

HELP YOURSELF

SO FAR AS THE REST of this *Business Week* is concerned, we might make the omnibus remark that it has always seemed to us that the best issues come in those weeks when there is no one pervading news break. Something like the recent war scare clouds everything else. This week there was no overwhelming event, and the various departments are able to stick strictly to their knitting. We'll just name three of the most interesting stories:

On page 16, "Detroit Expects 30% Increase." The auto industry is something of a bellwether, and when our Detroit correspondent reports that the big auto companies have raised their estimates of 1939 production from 15% above 1938 to 30% above, it's news for all business.

On page 30, "Electrical Appliances

BUSINESS WEEK (with which is combined The Magazine of Business) Oct. 15, 1938, No. 476. Published weekly by McGraw-Hill Publishing Company, Inc., James H. McGraw, Founder and Honorary Chairman. Publication office, 90-129 North Broadway, Albany, N. Y. Editorial and executive offices, 330 W. 42nd St., New York, N. Y. James H. McGraw, Jr., President; Howard Ehrlich, Executive Vice-President; Mason Britton, Vice-Chairman; B. R. Putnam, Treasurer; D. C. McGraw, Secretary; A. W. Morrison, Circulation Manager. \$5.00 per year in U. S. A., possessions, and Canada; \$7.50 per year in all other foreign countries; 25c per second class matter the Post Office at the Act of March 3, U. S. A. Copyright Publishing Company.

A MCGRAW-HILL

PUBLICATION

Snap Out of It." In the spring, refrigerator sales scraped bottom. The contra-seasonal upswing beginning in August is bringing smiles back to the faces of manufacturers.

On page 39, "Earnings—'Not Bad'." Calculating machines and lead pencils, pushed by accountants and treasurers, are beginning to prove that many businesses have "turned the corner."

For the rest of the issue, we leave you to your own devices.

CAME THE FLOOD

SEVERAL WEEKS AGO we laid ourselves open by asking for criticism of *Business Week* and inviting suggestions of what we could do to give you better service. We had rather expected that the result would be something like standing in front of a machine gun and pulling a string attached to the trigger, but so far our heads are only slightly bloody and quite unbowed. The suggestions that have come in—and there have been a welcome lot—have been amazingly practical and to the point. Apparently, you readers like the idea of being called in as consulting editors.

What we are doing about those suggestions—and the ones developed by the research crew we told you we had out interviewing readers—we hope to demonstrate in an early issue. So that there can be no accusation of quibbling, we'll come right out and say, in next week's issue.

IN THE MEANTIME

WE CAN'T RESIST passing on a few of the sprightlier comments. "Most of the *Business Week* ads," says one helper, "try to say too much and result in not telling the story quickly enough." To which we reply that the ads, thank heaven, are the burden of the business department. Let the ad writers take notice.

A reader, whose name shall forever remain sacred, had this to say: "In my (retail) business, the weather is of prime importance. Why don't you give us advance weather reports?"

Okay: cold coming.

Another of the several hundred thousand and sagacious men who read *Business Week* regularly says that "it's all right for you to assign the Editorially Speaking space to the brass-hat boys for a weekly blow-off, but we are going to miss the fun about the buffalo and the ink stolen from the banks in Canada. Shucks."

And still another reader thinks the best thing we could do is to stop cooperating with Hitler—which cooperation has taken the form of failing to expose the fact that der Führer wants to control Czechoslovakia mainly so that he can sneak German goods into the U.S. under the Czech trade treaty.

He's exposed now.



"ALL CLEAR" in New England

The hurricane, tidal wave, and flood had some of New England Business down for a few days. But not for long. Today the tracks are clear and the signals are set for GO.

More than 99% of New England Business is back to normal operating conditions.

100% of New England Transportation and Communication Lines are open.

Public Utility Service is more than 99% of normal.

—Statistics by New England editor Business Week

You who do business with New England firms can expect "Business Going On as Usual." They can handle your orders in full stride—delivery can be made as before. The same reasons you had previously for buying from New England still stand.

Published in behalf of New England Business and the following clients of this advertising agency in the hurricane area:

American Mutual Liability Insurance Co., and its associated companies	Boston, Mass.
American Screw Co.	Providence, R. I.
American Tool & Machine Co.	Boston, Mass.
Coppus Engineering Corp.	Worcester, Mass.
Cuno Engineering Corp.	Meriden, Conn.
Cynthia Mills	Boston, Mass.
Dampney Company of America, The	Boston, Mass.
Emmons Loom Harness Co.	Lawrence, Mass.
England Walton Co.	Boston, Mass.
Graton & Knight Co.	Worcester, Mass.
Lawrence, A. C., Leather Co.	Peabody, Mass.
Phillips Screw Licensees in New England	
Scovill Manufacturing Co.	Waterbury, Conn.
Smith & Winchester Manufacturing Co.	South Windham, Conn.
Universal Winding Co.	Providence, R. I.
U.P.M.-Kidder Press Co., Inc.	Dover, N. H.

JAMES THOMAS CHIRURG COMPANY BOSTON

Creators of Basic Sales Ideas in Advertising

Eight Weeks' Pay!

That's what this operation is costing your order clerk



They were getting along splendidly before her sickness—this employee of yours and his pretty young wife. Living modestly but comfortably. Didn't owe a soul a cent. Even had a bank account.

Then came the mother's long illness and a costly operation. Their savings were soon gone and they needed a loan. Where were they to borrow? Hardly from friends whose incomes are as limited as their own. At a bank? Most banks demand collateral they didn't own, or co-makers they couldn't get.

Helping people help themselves

Household Finance provides a source of cash credit for millions of wage earner families who cannot borrow at banks. Loans run from \$20 to \$300. Borrowers repay in 10 to 20 monthly payments which average only about 7% of current income. Last year over 715,000 men and women made use of the service—to meet emergencies, clean up over-due bills, meet business needs, pay taxes, make repairs, keep insurance in force, pay educational expenses, take advantage of opportunities.

Booklets sent free

To borrowers Household also provides guidance in money management and better buymanship—shows them how to save on daily purchases and get more out of limited incomes. Household's practical publications developed for this work are now used in hundreds of schools and colleges. Executives interested in the welfare of their employees will find the story of Household's family money service interesting and revealing. Why don't you send the coupon below for complete information without obligation?

HOUSEHOLD FINANCE CORPORATION and Subsidiaries

Headquarters: 919 N. Michigan Ave., Chicago
"Doctor of Family Finances"

one of America's leading family finance organizations, with 235 branches in 152 cities
1878 • Completing sixty years of service to the American Family • 1938

HOUSEHOLD FINANCE CORPORATION, Dept. BW-K
919 N. Michigan Ave., Chicago, Ill.

Please send me booklets about Household's family money service without obligation.

Name.....

Address.....

City..... State.....

NEW BUSINESS

COTTON COATS FOR COTTON

FOR GENERATIONS folks in the South have been irked by the sight of cotton bales going to market wrapped in imported jute. Last week the Green River Textile Mills, near Hendersonville, N. C., realized an old dream by bringing in a bale of Mississippi cotton in cotton wrapping, bound by cotton rope. This packaging weighed 8½ lb. less than the traditional jute with steel bands, is important from a shipping standpoint. The bale was the first under an agreement whereby the company pays the farmer for the difference in weight of the wrapping. The government may help create a new annual market for 135,000 bales by aiding manufacturers of burlap to meet the higher cost of cotton as a wrapper for cotton.

FROMAGE D'IOWA

AT IOWA STATE COLLEGE, Ames, Dr. Clarence B. Lane and Bernard W. Hammer claim to have perfected a new process for making Roquefort-type cheese. A vital step is the breaking up of fat particles in the milk by applying pressures of 1,000 to 4,000 lb. per square inch. This speeds fermentation. Full dignity and fragrance are claimed after curing the cheese two to four months; in France this requires nine to twelve months. The Lane-Hammer patent has been assigned to Iowa State College Alumni Association, Inc.

WAGES AREN'T EVERYTHING

E. B. ROBERTS, industrial relations specialist of Westinghouse Electric, cites an "audit of employee morale" by a western Pennsylvania company as a guide in personnel matters. The study was made secretly by an independent organization. It found that the soundest basis for contentment was to allow each man to do the kind of work he likes best. Also emphasized was the need for: care in making promotions; suppression of favoritism; wider information to workers; recognition of employees' demand for psychological as well as material satisfactions.

ON, WISCONSIN

WITH AN EYE to cutting down highway accidents, Wisconsin will give each of its 700,000 motor car drivers a message printed on the envelope containing their 1939 license plates. It will say: "Keep this thought in mind; these plates identify you and the manner in which your car is operated. Drive so that you will not be criticized by the public or punished by the courts."

FRIENDLY INDEPENDENTS

SPEAKING of little business men, Wichita, Kan., has an organization in the

field which goes 'way back. The Wichita Independent Business Men's Association was formed in May, 1931, now has 600 firms representing nearly every business and profession in the city. Russell E. McClure, the executive secretary, says the program has sought to "build good-will for the independents, rather than to dynamite the chain stores; as a result of this policy, we have the support of the most substantial institutions in our community."

JOB HUNT

RECOGNIZING THE PROBLEM of unemployed youth, Vocational Adoption, Inc., New York, has designated Dec. 15 as Vocational Adoption Day. On that date volunteer workers will enlist the aid of employers in offering suitable, ladder-bottom positions to boys of approved character and competence.

"MANY INVENTIONS"

FISHERMEN SHOULD NOTE the new trap of the Acme Bait Trap Co., St. Louis. The frame, with a one-way entrance for minnows, is of rust-proof metal. It holds in shape the trap proper which is made of Monsanto cellulose sheeting, commonly used for packaging. . . Maybe you won't have to be fitted for a gas mask when the next war comes. Oliver I. Gains and William A. Fertig, U. S. War Department research workers, have produced a gas mask quickly adjustable to the most unorthodox face by manipulation of straps.

PENSIONS FOR EVERYBODY

SOME YEARS BACK Princeton students caused the American Legion considerable embarrassment by organizing a drive asking compensation for "veterans of future wars." Now at the University of California, Los Angeles, students are taking for a ride the \$30-a-week-for-people-over-50 idea. Bill Brown, editor of *The Daily Bruin*, heads a pension scheme to provide "\$50 a week for folks 'under 50.'" Arguments are: young people spend money faster than older ones; young people need something to do while waiting to become 50; it's democratic to give everybody pensions.

HELP FOR HOME BUILDERS

MORE THAN A GOOD 5¢ CIGAR, the country needs fitter shelter for our 30,000,000 families. So thinks National Small Homes Bureau, New York. It helps with a new year book representing a cooperative effort by the building industry. It gives latest developments in design and construction for homes costing to \$7,500; explains National Housing Act operations; tells how loan associations, architects, builders, material dealers, realtors can help the home builder.

WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—As the Oct. 24 deadline on the wage-hour law nears, Administrator Andrews has at last taken steps to preserve that good will which is his biggest asset in administration of the law and which has been seriously threatened of late. Charged by nervous, excited employers with letting his lawyers spoil his good intention and gum up the works by refusing to define various provisions which determine application of the law, Andrews this week finally tackled the job of attempting to clarify some of its broad aspects, particularly with respect to what is meant by interstate commerce.

STILL UP TO EMPLOYERS

ANDREWS' "Interpretative Bulletin No. 1" (see page 17) doesn't provide any categorical list of just which industries are exempt under the law and which will be expected to comply. Employers are still confronted with the job of deciding for themselves whether the law applies to them and how it applies, but that task is considerably expedited by Andrews' bulletin.

One earlier conclusion is reaffirmed in this statement:

Only chiselers need anticipate real trouble. He's willing to go to bat for those employers who act in good faith, make only "honest" mistakes.

AMENDMENT NECESSARY

MUCH OF THE PRESENT TUMULT will subside when Congress next January provides funds sufficient to give Andrews an adequate staff to cope with the numberless problems of administration. However, experience has already demonstrated that the law must be amended in many respects to guide the courts as well as the Administrator and business at large.

F. D. R.'S OWN HARMONY

BACK OF ROOSEVELT's interdiction of name-calling and saber rattling is his shrewd belief that a considerable element in business is ready to call quits if persuaded that he won't pull something so outrageous as to force self-respecting conservatives to return to the attack.

The President, according to his New Deal interpreters, is seeking to take advantage of a leftward drift to an apparently static New Deal, with elections in the offing, and recovery from recession still in a critical stage. There's some ground for the surmise that Roosevelt's job at present is to curb

the forces set in motion by the New Deal, evident in the new demands of farmers, in the strike news, and in the fancy schemes for social security that have their roots in inflation. But harmony in government-business relationships, as the President thinks of them, must still be on his terms.

NO FARM MACHINERY CASE

NOW THAT THE FARM MACHINERY people have cut prices all along the line, the Department of Justice feels that its preliminary effort to make a tight case out of the Federal Trade

probably will turn over his farm machinery docket to the National Economic Committee to demonstrate how the patent laws, together with the Tydings-Miller price maintenance act and the state fair trade laws, operate to defeat the purpose of the anti-trust statutes.

CAN'T RESTRICT DOUBLE BILLS

INDEPENDENT MOVIE EXHIBITORS scored this week when the Supreme Court denied a petition of major distributors for review of a decision by a federal Circuit Court at Philadelphia holding that distributors can't prohibit independent theater owners from showing their pictures as part of double feature programs.

In a Texas case involving the same issue, the court consented to hear argument, but procedure in that case left to the Supreme Court no discretion in entertaining the appeal.

The distributors' ban against the use of films in double bills is one of the counts in the government's anti-trust suit against the big producer-distributors which is pending in New York.

BUILDING AND LOAN CONTEST

A MILITANT BLOC of building and loan associations in Wisconsin has succeeded in pushing to the Supreme Court its charge that "invasion" of their business by the federal government is unconstitutional. Lower courts have upheld the right of the federal government to issue charters. HOLC is glad the Supreme Court has consented to review the issue, is confident of the outcome, while state-chartered institutions view probable defeat with mixed feelings.

MORE HOUSING MONEY

WITH OVER \$700,000,000 of its \$800,000,000 fund already earmarked, the United States Housing Authority is planning to touch the next Congress for another pocketful—probably \$500,000,000.

Budget officials are cagey, but Administrator Nathan Straus is confident that the President will fall in with his plans.

AAA SHIFT EXPECTED

REORGANIZATION of the Department of Agriculture and its satellites was not a sudden thought. It had been under study so long that most of the men affected were surprised only by the fact that it actually materialized.

While the present wave of dissatisfaction with AAA and the desire to concentrate power in the hands of well-

Damns Dam



DR. HENRY E. RIGGS

THE PRESIDENT of the American Society of Civil Engineers this week charged that PWA is "yielding to the grandiose temptation to build the largest things in the world instead of economically useful projects." Dr. Riggs' charge, made at a committee meeting preceding the association's national convention in Rochester, N. Y., was directed particularly at Grand Coulee. "That project," he said, "is typical of those which won't have any more usefulness than the pyramids of Egypt."

Commission's previous investigation has produced practical results.

Though officials modestly credit the price cuts to the fact that they had their foot in the industry door, they were really dubious if they could make a case in court. There's too much room, in their opinion, for the dominant concerns to slide out under patent and resale price maintenance laws.

Assistant Attorney General Arnold

REQUIRE LESS STEAM TO INSURE COMFORT IN BOSTON BUILDING

Cash Value of Steam Savings Is
\$5,671 in Three Years with
Webster Moderator System

USED BY F. W. WOOLWORTH CO.

Heating Needs of 5 and 10 Cent
Store and Many Office Suites
Met Evenly and Rapidly

NEW SYSTEM PAYS FOR ITSELF

Boston, Mass.—In the Phillips Building, well-known Boston office building, the cost of a Webster Heating Modernization Program was recovered out of steam savings in less than three complete heating seasons.

The first floor of the Phillips Building is occupied by a 5 and 10 Cent Store of the F. W. Woolworth Co. The basement is used for merchandise storage. Remaining floors are rented as office space.

In 1934, Warren Webster & Company was asked to investigate the heating installation to determine the opportunity for improved heating service with modern heating system controls. Webster Engineers reported that a Webster Moderator System would meet the diverse heating requirements of the Phillips Building and in addition would pay for itself out of savings effected.



Phillips Building
Boston, Mass.

A Webster Heating Modernization Program was authorized by Mr. H. Grundman, Superintendent of Construction for the F. W. Woolworth Co., in New England, and completed on December 3, 1934.

From the time the installation was completed until March, 1937, when the modernized system had paid for itself, the reduction in steam consumption had the following cash value:

1934-35	\$1,423.42
1935-36	2,280.97
1936-37	1,966.63
	\$5,671.02

The Cleghorn Co., of Boston, acted as modernization heating contractors. There is a total of 8,200 sq. ft. of installed direct radiation.

In Atlanta, Ga., another building of the F. W. Woolworth Co. has saved \$1,814.67 during the last five years with a Webster Hyllo System of Steam Heating.

These before-and-after facts point the way to maximum comfort and economy in heating new buildings as well as in modernization of existing installations. Consult your architect, engineer or heating contractor. Or address

1888 WARREN WEBSTER & CO., CAMDEN, N. J. 1938
Pioneers of Modern Steam Heating
50 YEARS OF HEATING PROGRESS

Representatives in 60 principal U. S. Cities

qualified men helped to precipitate Sec. Wallace's order, his official explanation that greater efficiency is the motive may be accepted at face value.

FOUR OHIO FARM BOYS

THE FLIGHT of four farm boys in southeastern Ohio bears mightily on the hopes of Republican leaders for a big gain in the House from the Buckeye state. In this case the farmer, for years, has assigned each of his four sons an acre on which to grow tobacco for pocket money. This year this farm has a tobacco quota of 1½ acres. Constitutional? Nobody is sure, though quota and penalty provisions of the AAA were upheld by a federal court in Georgia last week. Democratic? Yes. Farmers voted to impose this quota on themselves by a two-thirds majority.

POLITICAL FOOTBALL

CONGRESSMEN WITH AN EYE to the farmers' vote are trading their quota of six Army-Navy football tickets to their city colleagues in order to increase their supply of the popular Agriculture Yearbook and other bulletins from Sec. Wallace's department. One Congressman writes: "I had some opposition which necessitated sending out a great many pamphlets this summer and this is the manner in which I obtained them."

STATE LIQUOR BARRIERS

WHISKY PRODUCERS who fear that internal "tariff" barriers will play hob with their business are pinning their hopes on the Supreme Court, which this week consented to hear an appeal from a lower court decision upholding Michigan's law regulating importation of beer from other states. If the beer law is upheld, distillers expect that discriminatory legislation that now applies to "imported" beer in several states will be extended to include distilled spirits. Exeunt national brands.

SHOWDOWN ON LIQUOR ADS

LIQUOR MEN, their advertising counsel, and media representatives will come to Washington Oct. 25 to set machinery in motion to eliminate conflict between regulations of various states and between state and federal regulations on advertising in a conference called by W. S. Alexander, Federal Alcohol Administrator.

State liquor administrators will participate in the discussion to establish cooperative action to remove one of the industry's biggest plagues.

RAIL UNIONS FEAR TRUCKS

AFRAID THAT RAILROAD expansion of highway operations will sap the strength of rail unions, labor will fight absorption of truck lines that might tend to divert more rail traffic. Ap-

A German Treaty?

A TERRIFIC BATTLE is under way behind the scenes over the question of a reciprocal trade agreement with Germany. Favoring such a treaty are three groups: fanatical pro-Germans; importers and exporters, particularly of cotton, who see a chance for a personal profit; and a much smaller group favoring the policy for purely altruistic reasons.

The first two groups use the arguments of the third group exclusively: i.e., that it would promote prosperity, not only here and in Germany, but throughout the world. (Even Britain would benefit through shipping, insurance, etc.) They contend that it would thus tend to stabilize world conditions and prevent war.

Opposing the treaty are the groups desperately opposed to the fascist form of government, to Hitler personally, to a policy of aggrandisement by force, and to racial and religious intolerance.

Roosevelt and Hull, of course, are the targets for the arguments of both sides.

plauding the ICC's refusal to permit Union Pacific, the North Western, and Burlington to take over Union Transfer Co. (BW—Oct 8 '38, p. 37), Brotherhood chieftains assert that rail managements are now resisting their efforts to organize employees on railroad-owned truck and bus lines.

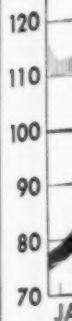
BUYING MEXICAN SILVER

UNDER "ORDERS," either from the White House or the State Department—officials won't say which—the Treasury is buying more Mexican silver today, and has been for months, than it bought prior to cancellation of the previous silver-buying agreement. This cancellation, Mar. 31, 1938, came right after Mexico's seizure of American and British oil wells and was hailed in many quarters as serving Mexico right for biting the hand that fed her, etc.

The only difference is that before cancellation the silver was bought from the Bank of Mexico. Now it is bought from silver producers direct. This would seem to deprive the Mexican government of its profit. But no, there is a federal tax of 8¢ an ounce on silver produced in Mexico. So in effect Uncle Sam is still subsidizing the Mexican government in line with the silver policy this country has followed for five years, to the great benefit of certain foreign silver speculators and producers, but to the great harm of China and the U. S. Treasury.

BUSINESS

BU



PROD

• Steel
• Automobile
• Residential
• Engineering
• Electric
• Bituminous

TRAD

• Miscellaneous
• All Other
• Check
• Money

PRICE

Wheat
Cotton
Iron
Copper
Maudy

FINA

Bank
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Prime
Business

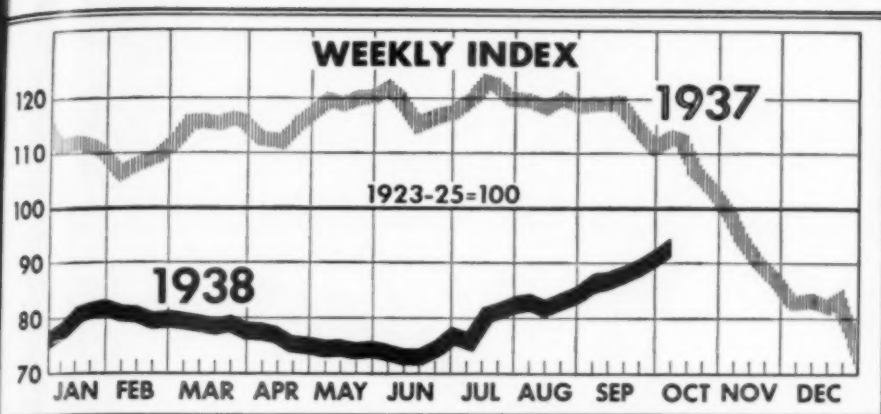
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BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

(New series, see BW—Sep 17 '38, p35)

Latest Week	94.7
Preceding Week	92.5
Month Ago	88.2
Year Ago	113.9
Average 1933-37	90.5

PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
*Steel Ingot Operation (% of capacity).....	51.4	47.9	45.3	63.6	50.2
*Automobile Production (Ward's Reports).....	37,665	25,405	17,485	71,958	43,003
*Residential Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$3,591	\$3,665	\$3,513	\$2,608	\$1,887
*Engineering Construction Awards (Eng. News-Rec. 4-wk. daily av. in thousands).....	\$10,355	\$11,000	\$9,398	\$6,986	\$6,090
*Electric Power (million kw.-hr.).....	2,154	12,139	2,048	2,280	1,923
Bituminous Coal (daily average, 1,000 tons).....	1,318	11,307	1,146	1,635	1,165

TRADE

*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	73	71	69	85	76
*All Other Carloadings (daily average 1,000 cars).....	43	42	39	55	44
Check Payments (outside N. Y. City, millions).....	\$4,409	\$3,599	\$3,260	\$4,839	\$4,140
Money in Circulation (Wednesday series, millions).....	\$6,640	\$6,574	\$6,579	\$6,569	\$5,879

PRICES (Average for the week)

Wheat (No. 2, hard winter, Kansas City, bu.).....	\$6.64	\$6.67	\$6.63	\$1.07	\$1.08
Cotton (middling, New York, lb.).....	8.50¢	8.30¢	8.03¢	8.36¢	10.80¢
Iron and Steel (Steel, composite, ton).....	\$36.61	\$36.58	\$36.50	\$39.73	\$33.97
Copper (electrolytic, Connecticut Valley basis, lb.).....	10.663¢	10.385¢	10.135¢	12.000¢	9.696¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100).....	144.2	144.0	143.7	173.2	160.8

FINANCE

Bond Yields (Standard Statistics, average 45 bonds).....	5.74%	15.76%	5.99%	4.98%	4.86%
Call Loans, Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	.80%
Prime Commercial Paper, 4-6 Months, N. Y. City (prevailing rate).....	5/8-3/4%	5/8-3/4%	.75%	1.00%	.93%
Business Failures (Dun and Bradstreet, number).....	192	203	161	146	201

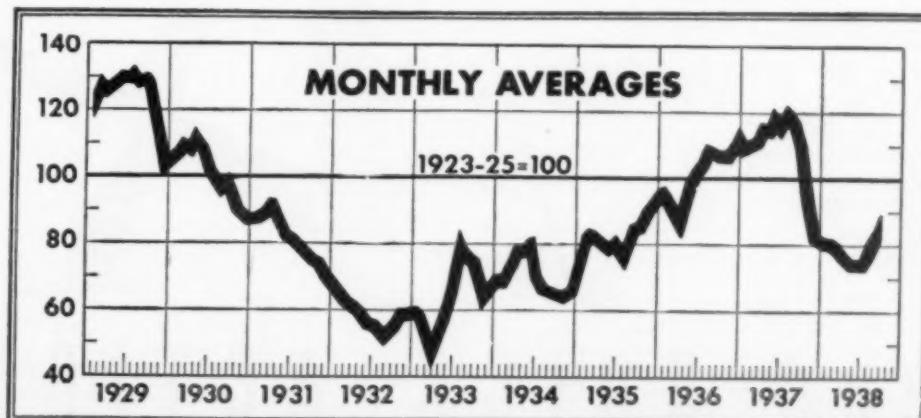
BANKING (Millions of dollars)

Total Federal Reserve Credit Outstanding (Wednesday series).....	2,593	2,597	2,592	2,583	2,486
Excess Reserves, all member banks (Wednesday series).....	3,020	2,890	3,034	1,090	1,602
Total Loans and Investments, reporting member banks.....	21,189	21,240	20,842	21,975	20,301
Commercial and Agricultural Loans, reporting member banks.....	3,896	3,891	3,888	4,831	8
Security Loans, reporting member banks.....	1,209	1,225	1,248	1,856	8
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	9,734	9,786	9,447	9,042	8
Other Securities Held, reporting member banks.....	3,215	3,213	3,154	2,961	8

★ Factor in Business Week Index. * Preliminary, Week Ended Oct. 8. † Revised. ‡ Not Available.

These monthly averages are merely simple averages of each month's weekly figures of Business Week's index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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LONG



DISTANCE means



ONE man has a question. Another man knows the answer. They're three hundred or three thousand miles apart. *But a Long Distance call brings them together in a minute and a half!* (Average time.)

When will that steel be delivered? Why is McKay's account way overdue? Will Weber be in when I hit Houston? Where are the figures from Pittsburgh?

Get the *facts* and get 'em *fast*! Long Distance is the easy, economical, *modern* way to do it.



and QUICK ACTION too

OCTOBER 15, 1938

THE BUSINESS OUTLOOK

Turning away from European troubles, American business and finance concentrate on domestic recovery. Stock prices advance.

Automobile output up 50%.

DOMESTIC BUSINESS RECOVERY continued to take the foreground during the past week. In the United States only academic interest was taken in the continuing forward march—diplomatic, economic, and military—of Germany through Central Europe. Immensely relieved at the establishment of peace for this year, whether or not it is "for our time," finance and business devoted their efforts to regaining the losses suffered just a year ago. Industrial stock prices touched the highest ground in over a year, and railroad prices the highest since January. This was a fair augury that business improvement has a good distance yet to run.

Index Rises Again

The *Business Week* index of industrial activity made its eighth successive advance, with the burden of the forward movement again carried by the automobile industry as a result of a 50% jump in the rate of output. The new model production year is now in full swing, and a steady advance could confidently be predicted were it not for the sudden adoption of a 32-hour week policy by the Automobile Workers' Union. As it is, the immediate outlook for this industry, and through it for the various subsidiary and interconnected trades on which the prosperity of the whole economy depends, can be seriously hampered if the unemployed groups in the union ranks insist on enforcing their share-the-work policy.

Expected Auto Production

If, however, the labor troubles now in progress or threatened fail to halt the general upswing of production—and this is the most likely outcome—the industry should soon be at the 60,000 weekly or 250,000 monthly rate of shipments. If these figures are reached during the fall months in which dealers are being stocked up with 1939 models, the effect as transmitted through buying of steel could easily be enough to lift steel industry

operations to 60% of capacity. The rise this week has been to 51.4%, the best figure since late in October, 1937.

Sheet Steel Price Cut

"Automobile purchasing of steel will doubtless be stimulated by the informal price cut of \$4 per ton on sheet steel put into effect this week. In

of the general recovery movement now under way.

Carloadings Keep Rising

Another encouraging feature of the current business improvement is the satisfactory trend of railroad carloadings, which are now approaching their seasonal peak. Last week, as indicated by preliminary figures, they made much the best showing in comparison with the year before since early last winter. In part this was a mere reflection of the beginning of last year's collapse, which hit carloadings for the first time at the opening of October; but in part it reflects the improvement in industrial production. If traffic improvement continues, and if the wage controversy has an outcome equally satisfactory to the railroads, there will be a good possibility of equipment buying before many months have passed.

Good Building News

Construction figures for September, just announced, add another ray of light to the picture. Both residential and non-residential buildings were in the neighborhood of 50% above the year before. The totals were slightly below those of August, but the decline was less than the normal expectancy for this month. Continued progress in mortgages appraised and insured by the Federal Housing Administration, and in the slum clearance and public works programs, indicates much less than the usual seasonal losses will occur in construction this fall and winter.

Spending Peak in April

The Public Works Administration authorities have now stated, as had already been forecast unofficially, that the peak of spending in the current program would occur around April of next year. This prediction gives as good a clue as any now available to the possible time limit of the present recovery movement. The movement might extend much further than next April, and it could break off sooner as a

In the Outlook



THE RAPID GROWTH of consumer cooperatives in the U. S. was brought home to private-profit business this week with the meeting in Kansas City of the Cooperative League of the U. S. A. Long-time President James Peter Warbasse (above) was able this year to boast of 1,770 societies and 965,000 individual members in the League.

other words, through lower prices—and this particular price cut is only one example of a general crumbling of the firm edges of steel price policy—and through maintenance of high wages, the steel industry is taking over a great deal of the burden (in the shape of losses or postponed profits)

result of highly unfavorable elections or for any other good reason; but, with heavy spending in view for next spring, it would be unduly pessimistic to predict an earlier downturn, even though a tapering off thereafter would be no more than natural.

Measuring the Recovery

As to the extent of the recovery, it is possible that the bulk of it, in terms of industrial production, has already been seen. The monthly index of *Business Week*, which dropped from 122.3 in July, 1937, to 75.6 in June,

1938, is likely to be at least 95 in October. To this 20-point gain one can perhaps predict without being rash the addition of 10 more points by next May. This would mean the recovery in 11 months of two-thirds of the losses of the preceding 11 months.

This two-thirds recovery could be considered enough for a technical, or inventory, revival combined with the effects of the government spending and deficit program as outlined last April. Further gains would probably be dependent on a revival of private investment confidence.

Labor Gets Spotlight Again

Supreme Court decides to review important cases. A.F.L. rejects Tobin's demand for peace with C.I.O.

LABOR RETURNED to the center spotlight this week. With the Supreme Court once more in session and ready to take up some of the knotty National Labor Relations Board problems, with the American Federation of Labor and the Committee for Industrial Organization waving olive branches in one hand and meat axes in the other, and with the wage-hour law's compliance date a week away, everything seemed to have a labor slant.

Crucial Cases to Be Decided

Very important are the cases which the Supreme Court has promised to review. Having already docketed the Consolidated Edison case (in which the relation of interstate commerce to a company physically bounded by state lines is at issue), the court agreed further to hear arguments on the Columbian Enameling case, the Ford case, and the Sands Manufacturing case. The Ford case, subject of millions of editorial words, is rather involved, but by deciding whether the Fourth Circuit Court should have remanded an NLRB order to the board for further consideration, the Supreme Court will give great aid and comfort either to the United Automobile Workers' Union, which has been trying to organize the Ford plant, or to the company, which has resisted unionization efforts. In the Columbian case, the big point is whether workers who struck in violation of a contract were still employees or not. NLRB held that they were, the Seventh Circuit Court held differently, and NLRB wants a reversal. Reinstatement of employees also is the point at issue in the Sands case.

NLRB also won one outright victory in the Court's first sitting, to add to its long and unbroken successful record in that quarter. The Court refused to review the Memphis Furniture Manufacturing case, wherein the company in-

sisted that it was not subject to an NLRB order because its business was purely local and intrastate.

Meanwhile, the A.F.L. in convention assembled was deciding what to do about anti-Wagner act moves, peace or war with C.I.O., and sundry smaller matters. A nine-point program for Wagner act amendment to restrict NLRB's powers and protect A.F.L.'s craft-union contracts was rather easily put through this week, as was the anticipated resolution against Senate confirmation of Donald Wakefield Smith for a new term with NLRB. But the C.I.O. quarrel was too hot a subject to be lightly taken care of.

Biggest surprise since John Lewis' attack on the A.F.L. executive council in 1935 was the vigorous speeches made

this week and last by Daniel Tobin, head of the teamsters' union and himself a mighty member of the council. Coming on the heels of the request by President Roosevelt that the federation keep the door open to peace, the Tobin demands for unification moves could be overlooked.

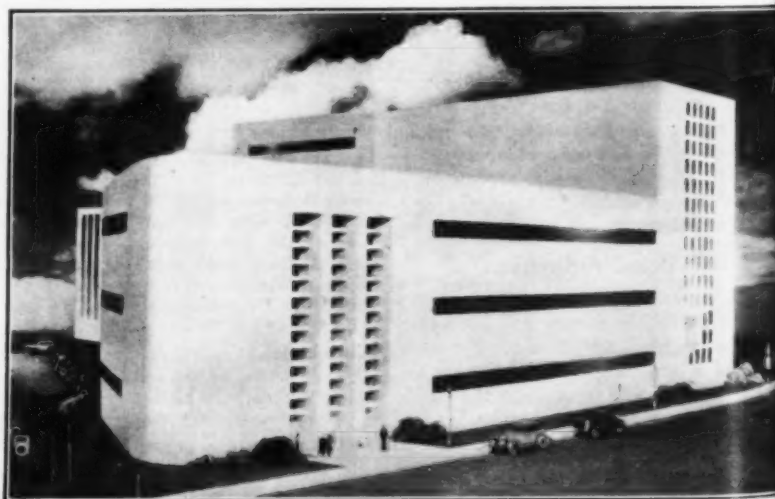
C.I.O. Rank and File Welcome

Nevertheless, the executive council steam-rolled Tobin with a resolution which the convention approved, assuring the President that the "door was open" and then slamming it hard in the face of John Lewis, Sidney Hillman, and other C.I.O. executives. Stripped of its scorching personalities, the resolution indicated that the A.F.L. would indeed be glad to welcome any dues-payers from C.I.O. rank and file—if they didn't bring their leaders with them.

In a way, the A.F.L. action—or lack of action—put the next move up to C.I.O., or to friends of both sides, which might include the Administration. Barring further appeals from Washington, the most important immediate effect of the federation's policy will be to make certain the C.I.O. convention beginning Nov. 14 in Pittsburgh. C.I.O. leaders who hoped for peace had expected to postpone the meeting if the A.F.L. showed any inclination to conciliate—because if C.I.O. goes "permanent" the chances for early settlement of the fight will be much slimmer.

If the C.I.O. does meet to set up a constitution and permanent federation it is likely that one union will stay at home. That union is the International Ladies' Garment Workers, which worked most earnestly through an executive

Windowless Plant Designed for Day and Night Production



DESIGNED FOR CONTINUOUS 24-hour production 365 days a year, Church & Dwight, Inc.'s, new plant at Syracuse, N. Y., will look like this when completed. Air-conditioning and functional panels of glass blocks eliminate the need for windows. Construction was begun last week by The Austin Co.

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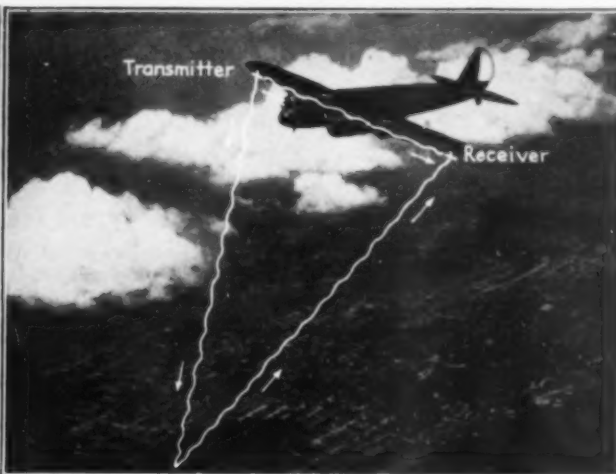
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New Terrain Indicator Warns Pilot of Mountain Peaks and Other Obstacles



THE BIGGEST SAFETY AID to aviation since the development of the radio directional beam—thus do aviation experts describe a new "terrain clearance indicator" which measures, not the height of a plane above sea level, but its height above all obstructions. Developed by the Bell Telephone Laboratories, the new instrument was demonstrated last week in a United Air Lines plane flying over New York. The indicator proved so sensitive that its needle jumped up and down as the plane passed over Manhattan's skyscrapers.

The picture at the left above was taken during the experimental flight, shows Peter C. Sandretto of the Communications Laboratory of United pointing to a panel on which a standard altimeter is at the left, the new indicator at the right. The

standard altimeter registers 800 feet above sea level; the terrain indicator shows the plane is only 300 feet above the ground.

The photo-diagram at the right gives a layman's explanation of how the indicator works. In the plane's right wing is an ultra short-wave transmitter, in the left wing-tip a receiver. One radio signal goes directly across the wings from the transmitter to the receiver. Another goes down to the ground, and "bounces" up to the receiver. The indicator measures the difference in time of arrival of the two signals to compute height.

The indicator can be aimed straight down, or, to warn of approaching obstructions, at an angle almost straight ahead. Tests made in the mountains in the West show the indicator works in all weather.

committee last month to bring the two big labor groups together, consulting with the leaders on both sides. Invited to attend a C.I.O. convention, the I.L.G.W.U. will decide what to do in a meeting of the executive board, late this month or early in November. It is opposed to continued warfare within labor's ranks, is sympathetic to both sides. Consequently, a neutral and independent position seems to be indicated.

annual readjustment of wages after 1940. It provides approximately the conditions for which the Distributors' Association is contending in its dispute with the C.I.O. warehousemen.

This move of the A.F.L. (the Teamsters' Union initiated it) is regarded as smart public relations tactics since it left leaders of the 5,000 C.I.O. warehousemen, in their dispute with the Distributors' Association, on the defensive in explaining to the public and to their men why they couldn't sign a similar industry-wide agreement.

Ad Stresses "Statesmanship"

Quick to capitalize on the development by spotlighting it as a piece of forward-looking "labor statesmanship," the A.F.L. warehousemen's union placed full-page ads in San Francisco newspapers Oct. 7 explaining the contract and emphasizing approval of A.F.L. national officials "as a forward move in mutual relations between industry and labor" in the city.

Quick also to realize how much goodwill might be built by those advertisements in strike-weary San Francisco, C.I.O.'s warehousemen's union last week readily assented to the appointment of Paul Smith, general manager of the San Francisco *Chronicle*, as arbitrator of its dispute with the Distributors' Association, and by that move the union pushed along to settlement its six-week-old strike.

S. O. Beats S. O.

Indiana Standard wins infringement case against New Jersey Standard.

A THREE-YEAR-OLD FIGHT in the Standard Oil family finally ends. The Standard Oil Company of Indiana has won its suit against New Jersey Standard for infringement of its trade names (*BW—May 25 '35, p. 9*). It was learned this week that New Jersey Standard has dropped the fight. There will be no damages since the New Jersey company withdrew from the debated territory when the court decision went against it.

The row started early in 1935 when Esso, Inc., a subsidiary of New Jersey Standard, jumped the boundary of its powerful sister and opened three filling stations in St. Louis. Indiana Standard struck back with a federal suit. It charged that the use of the brand, "ESSO", infringed its own "SOCO" and "S.O." trademarks. Its attorneys attacked the claim of New Jersey Standard that filling stations signs disclaiming any connection with Standard Oil Company of Indiana relieved Esso of responsibility. Plaintiff's case bore down heavily on the old common law rule that prior use of a brand establishes its ownership, that this ownership extends wherever the product is marketed.

Federal Judge Moore decided the case in favor of Standard of Indiana on

Coast Labor Tactics

A. F. L. warehousemen sign San Francisco pact and brag about it. C. I. O. acts quickly.

WHILE WAITING HOPEFULLY this week for settlement of the dispute between the C.I.O. warehousemen's union and the San Francisco Distributors' Association, West Coast business studied with considerable satisfaction the five-year blanket contract signed Oct. 6 by the A.F.L. warehousemen's union and the Industrial Association.

This is the first time in 16 years that the Industrial Association has acted as a principal in signing an agreement. Previously it has acted the role of negotiator only.

The contract bans strikes, lockouts and work stoppages for five years, sets a minimum wage of 70¢ an hour and a 44-hour week and makes possible an

July 8, last. Esso took the case to the U. S. Circuit Court of Appeals at St. Paul, which 10 days later upheld Judge Moore. The decree was made final on Sept. 6 when Esso filed a motion which withdrew its intention of carrying the case to the Supreme Court.

Settlement of the suit doesn't mean that Standard Oil companies are going to quit pushing and shoving each other in rich gasoline territories. But it does mean probable use of trade names for these invasions which won't conflict with already entrenched family brands.

Detroit Expects 30% Increase

Motor manufacturers revise estimates for 1939 upward as continuing procession of new models finds acceptance. Used car problem is major worry.

DETROIT during the past few weeks has acquired a new spirit of optimism.

As a result, estimates of increase in business for 1939 have risen from an average of 15% a little more than a month ago to an average of around 30% at present. Three million cars and trucks are now the generally accepted minimum base-line for the 1939 model season, and every manufacturer is counting on an increase. Prices are being slashed with that expectation in mind. As a result of Detroit's insistence on pricing its new models closer to the market, steel quotations have been under considerable pressure, and this week informal price cuts of \$4.00 a ton enabled car-makers to pick up hot and cold rolled sheets from U.S. Steel, Bethlehem, and other leading producers at bargain levels.

Outside of possible unfavorable developments in the labor picture the only major problem confronting the auto manufacturers is the used car outlook. While demand for new cars has been rapidly rising during recent weeks, used car movement has not improved. While used car stocks are lower now than for a couple of years, they can easily rise to new heights in short order. Oct. 1 found dealers with an average of about twenty days' supply of new cars on hand, but used car inventories, on the other hand, averaged close to six weeks' supply.

Output to Double Third Quarter

Manufacturers are hopeful that used car movement will accelerate as general business picks up. For the time being they will push along all the new cars that they can make and dealers can move. Consequently, fourth quarter production should more than double the figures for the third quarter but it may still fall short of the more-than-a-million car rate that was set in the final quarter last year; 750,000 for the balance of the year is a widely accepted figure.

Difficult to estimate, however, is the rapidity with which Ford can get assembly plants rolling. A few new cars have now come off the Rouge assembly



GREATER VISIBILITY for drivers of 1939 automobiles is pointed out by P. J. Mauck, chief engineer of the Fisher Body Division of General Motors. Increased glass area, in many of the '39 cars, runs as high as 30 per cent.

line, and a considerable bank of units—engines, transmissions, axles, hydraulic brakes—has been built up. The only question is the supply of new bodies—plus, of course, the added complication in production brought about by the addition of the Mercury to the Ford line.

While detailed merchandising plans for the Mercury have not yet been announced, it is understood that both Ford and Lincoln-Zephyr dealers will be given an opportunity to sell the car, although there will be special arrangements made for both dealer lines. It is also possible that additional exclusive Lincoln-Zephyr and Mercury dealers will be appointed, so as not to distract the attention of the Ford dealers.

Announcement date of the Mercury as well as the 1939 Ford line is tentatively set for the end of the month. With this week's announcements of Pontiac, Cadillac-LaSalle, Lincoln-Zephyr, DeSoto and Graham, only a few other cars remain to be officially un-

veiled. In addition to Ford, they are Chevrolet, Hudson, Nash, Oldsmobile, and Willys. Of these, Hudson and Oldsmobile have committed themselves to lower prices. Oldsmobile's new lower-priced six drops last year's base price roughly \$100. Hudson, which has dropped the Terraplane name, has not cut prices on the lowest-priced (112) series, but has reduced them \$30 on the larger six and \$112 on the eight.

Features of the New Cars

Nash cars will be among the most striking at the show. Most unusual feature of the Cadillac-LaSalle line, announced this week, is the new LaSalle front end which embodies the ever-present "cat-walk" grilles, but departs from the Zephyr and Graham motifs with a very narrow vertical radiator grille.

Lincoln has improved the appearance of its Zephyr markedly by raising the hood some two inches. The net effect is to make the car look longer. On this car, the doors are curved outward at the bottom to enclose the narrow running boards. It is considered likely that a similar treatment may be found on the new Ford and Mercury cars.

Pontiac has a lower-priced "Quality" six, some \$70 below the 1938 six; a DeLuxe six, \$20 to \$35 below the same model; and an eight, \$10 to \$40 cheaper.

Graham got into production again last week with the release of 500 cars and has dropped its sedan price \$122 below the 1938 figure, making it list for under \$1,000. DeSoto body lines follow the same general motif as in the new Dodge offerings; the major difference occurs in grille and louvre treatment.

The former Auburn plant at Connersville, Indiana, returned to operation last week with the beginning of production on a rear-engined delivery unit based on the former Stutz Pak-Age-Car. Dies and tools have been purchased from Stutz by Roy Faulkner, president of the former Auburn Co. and president of the new Pak-Age-Car Corp.

Work Week Issue Raised

Meanwhile labor developments once more clouded automotive horizons. Homer Martin's 32-hour-week-during-slack-periods proposal was taken by locals of the United Automobile Workers to mean direct limitation to a 32-hour week until all former employees have been re-hired. A strike at Briggs prevented lengthening out of the work week to enable Plymouth to step up production. Chrysler, General Motors, and other producers were experiencing similar troubles, though the Chevrolet strike, which was set for Thursday and might have proved most serious, seemed averted on Tuesday by the re-hiring of 3,000 men.

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ELMER F. ANDREWS, the wage-hour Administrator . . . Former N. Y. State Industrial Commissioner is a "plain blunt man," seemingly incapable of putting on Joe Kennedy show for Washington . . . News-men have yet to detect any prejudice in his makeup.

PAUL SIFTON, as Deputy Administrator, ranks next to Andrews . . . Associated with Andrews on N. Y. Industrial Commission . . . Edited labor publications for N. Y. Labor Dept. . . . A friendly sort, given to asking people's opinions on things.

HAROLD D. JACOBS, as Asst. Administrator in charge of Information, has promised to lay off the usual Capitol propaganda puff stuff . . . Just off the Santa Barbara News-Press as managing editor . . . Once with Scripps-Howard . . . Also United Press.

A. F. FLETCHER, Asst. Administrator in charge of Compliance, was hired because he did a bangup job as Labor Commissioner in North Carolina, knows potentialities and limitations of state authority . . . Appointment pleased North Carolina business.

What's What in Wage-Hour Law

Consensus of experts provides a tentative outline of what employers can and can't do after the law takes effect on Oct. 24.

"KEEP YOUR THINKING on a common-sense basis, and when in doubt comply."

That is probably the best over-all advice which can be given business relative to the wage-hour law, as the compliance date of Oct. 24 approaches. Indications are that, for some time yet, confusion will obtain among employers who, for example, do not quite know whether certain employees are "bona fide executive, administrative, professional" personnel and thus exempted from the law's provisions. Others want more information about where they stand in the light of the law's special treatment for industries of a seasonal nature. Still others wonder about apprentices, maintenance people, foremen, salaried folk whose hours aren't strictly watched, and other employees not easily classified.

Courts Have Final Word

As Administrator Elmer Andrews announced Oct. 5, many such questions will be met by rules and regulations "at the earliest moment consistent with care and deliberation in draftsmanship." But Mr. Andrews has also made very clear the important point that he has no power by issuing interpretations to confer upon an employer an immunity from suits which employees may bring under the law. The final word, as always, belongs to the courts.

It is with the same word of caution that *Business Week* issues its own survey of "best advice" on some of the troublesome questions which have come up. In an effort to get the right

answers to queries from many puzzled employers, the primary provisions of the law were reviewed in the Aug. 6 issue (pages 14, 15, 16), and other articles have developed supplementary interpretations (Aug. 27, p. 15; Sept. 10, p. 14; Sept. 17, p. 16; Oct. 1, p. 20). During the past two weeks *Business Week* has checked dozens of "foremost questions" against the statute itself, and has consulted informed advisers in business, law, and government.

As a last-minute reminder, the following question-and-answer summation is offered as a compendium of the best advice available. As noted in the answers themselves, the imponderables of the future often make accurate evaluation a matter of hazard and hope:

1. With Section 15a (1) of the act in mind—the section which makes it unlawful to knowingly assist others in violation—would a manufacturer be protected by a statement from all those previously participating in production of goods he handles that they had complied with the wage-hour provisions?

Answer: Under Section 16a of the act, which contains the penalty provisions, a violation must be willful—that is, intentional or with knowledge of the violation. This would seem to relieve an employer of the danger of criminal prosecution if he did not know of a violation by some other employer previously handling the goods. But under Section 17, a violation can be restrained by the courts, and proof of intent is unnecessary under this provision. In other words, the producer of the finished product might be pre-

vented from selling or shipping the goods by an injunction because some previous participant had operated under sub-standard conditions.

2. Are there any steps which an employer operating in accord with the law might take to protect himself against loss occasioned by the issuance of injunctions based on violations of others previously handling the goods?

Answer: It is possible, in the practical field of protection, that some form of indemnification agreement or insurance could be devised to cover such situations.

Interstate Commerce Issue

3. A number of questions about the applicability of the law turn on an interpretation of its interstate commerce provisions. By setting up a hypothetical example it is possible to illustrate some of these problems. For instance: Employee A works for X Company as a cigar maker. The cigars are not sold outside the immediate locality where they are manufactured and where the raw materials are secured. But although X Company definitely operates on an intrastate basis, it is in competition with manufacturers who are engaged in interstate commerce and who are shipping their goods to wholesalers and retailers in X Company's locality. Under these circumstances, is X Company subject to the act?

Answer: Although many persons believe that the commerce clause of the Constitution is broad enough to apply to those in competition with others engaged in interstate commerce, the wage-hour law limits its application to trade, commerce, transportation, transmission, or communication "among the several states or from any state or any place outside thereof." Under a strict interpretation of this more limited definition, it would seem that X Company were not subject to the act. *Business*

Week's consensus, however, shows on this question the aforementioned advice: "When in doubt, comply."

4. Suppose X Company's raw material—tobacco—comes from another state. Would the employees be covered by the act?

Answer: Yes. The "stream of commerce" theory clearly applies here.

5. Suppose X Company obtains all its supplies from within the state but sells a portion of its cigars outside the state and hence in interstate commerce. Would the act apply to those employees who make cigars for local consumption only? Would it not be possible, in other words, for the company to segregate its employees, dividing those who handle the product sold in interstate commerce from those not affected by the law?

Answer: On the basis of a strict interpretation, the segregation appears legally defensible, but it must be remembered that one of the act's purposes is to correct and eliminate conditions which, among other things, "lead to labor disputes burdening and obstructing commerce and the free flow of goods in commerce." Although some critics hold that employees in the same company can be segregated, with some under the act and some exempt, realistic observers warn that labor troubles may be a natural result if differentials in pay and hours thus are established within the same classifications. Again, common sense is the best guide.

Work, Not Title, Counts

6. Among the terms used to denote classes of workers exempt from the act is the word "executive." Does the title of an employee determine whether or not he is exempt under the act?

Answer: No. The act provides that those employed in the capacity of executives, administrators, professional

workers, local retailing help, or outside salesmen are exempt—as those terms are defined and delimited by regulations of the Administrator. In other words, it is what the man does, and not what his title is, that counts.

7. Would research workers, instructors, and custodial employees be deemed to be engaged in administrative work and hence exempt under the law?

Answer: Again, the answer depends on the job performed, not on the title. Many of such individual problems will have to go to the regional offices when they are established, or to industrial committees for study and definition.

Problems of Overtime

8. With respect to the employer's liability, must an employee in order to qualify for overtime pay be authorized or requested by the employer to work overtime?

Answer: The act is silent on this, but it is common sense to assume that the rights of the employee are unaffected so long as he actually performs the work and the results are accepted by the employer.

9. Must an employee report his overtime promptly to the employer?

Answer: Again, there is no specific provision, but it is likely that the employee's rights are unaffected by a failure to report. If he worked overtime, it is possible that he could claim the extra pay even after leaving the service of the employer who accepted the overtime work.

10. Can an employer effectively protect himself against unanticipated claims for overtime pay?

Answer: Good management would seem to require that the employer establish a system providing that overtime is carefully regulated and supervised, that it is accumulated only on specific authorization, and that it must

be reported regularly and promptly. While such methods might not afford an absolute defense against unforeseen claims, it probably would serve as very good evidence in court to substantiate good faith and the spirit of compliance, and to defeat unwarranted claims.

11. Where the statute does not specifically instruct or authorize the Administrator to issue rules and regulations, does this mean that the power to issue such rules and regulations does not exist?

Answer: The absence of such provisions probably does not mean that he is powerless to issue rules and regulations, interpreting the broad provisos of the act. For it may be assumed that as the law is developed the Administrator has an implied duty to issue such rulings as will assist in clarification and interpretation. It is well to keep in mind one of the Administrator's recent statements; in discussing individual inquiries and possible answers, he said: "The extent to which the Administrator may go in this direction will no doubt be determined largely as a result of accumulating experience in administering the law."

Protection Against Claims

12. If an employer in good faith operates on the basis that certain of his employees are not covered by the statute, and if it should later be determined officially that such employees are embraced by the law, what protection will these employers have against claims which the employees might present at a time when cash resources are inadequate to meet them?

Answer: None. It should be realized, however, that it is not the intent or purposes of the Administrator to send people to jail, and that good faith must necessarily be held a prime factor in weighing the employer's errors of omis-



Underwood & Underwood
CARROLL DOUGHERTY, as Chief Economist of the Labor Standards Division, has the important job of directing the research that will guide application of the law . . . Comes from economics department of the University of Pittsburgh.



Harris & Ewing
DR. CALVERT MAGRUDER as General Counsel to Labor Standards Division, has job of advising several billion dollars of United States business whether it is or is not in interstate trade . . . Assistant Dean of the Harvard Law School.



Harris & Ewing
RUFUS POOLE, Assistant General Counsel . . . As associate solicitor of Labor Dept. was touted for wage-hour general counsel but Andrews is reported to have asked for a prestige name . . . May get job when Magruder goes back to Harvard.



Underwood & Underwood
GEORGE A. McNULTY, Assistant General Counsel . . . Another of the Harvard lawyers who've come to Washington . . . On legal staff of NRA . . . Since '35 with SEC, loaned to Senate Civil Liberties Committee for the "Little Steel" hearings.



MISS EUGENIA POPE, secretary to Andrews . . . Was first employee of Labor Standards Division . . . Did two years of social research for Hopkins . . . Served as secretary to the International Institute of Statistics . . . Looks 27 years old or so.



The George Washington, crack Chesapeake and Ohio Flier, pulling out of Washington, D. C., bound for Cincinnati, Louisville and points west

COMPTOMETERS keep C & O figure work on fast schedule

• The Chesapeake and Ohio Railway Company has long been recognized as one of the most efficiently managed railroads in the United States—and this efficiency applies to C & O figure-work methods as well as to the more obvious phases of this company's activities.

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Comptometer Bureau of C & O's Auditor of Revenues at Richmond, Va. The work handled on this Comptometer "battery" includes addition, subtraction, multiplication and division. The Shaw-Walker Desks shown here are specially designed for Comptometer use.



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sion. Inasmuch as the employee himself can sue under the act, however, the penalty for non-compliance must be faced realistically. It is part of the "teeth" in the law, and quite naturally will increase the wish of all to comply. Possibly, as indicated in Question 2 above, a plan of insurance against damage claims might be worked out.

The application of the law, in the great fields of sub-standard wages and too-long hours, is aimed at a goal relatively simple to understand: establish-

ment of 25¢ minimum pay per hour, and overtime pay for hours beyond a weekly maximum of 44. As the administrative staff in Washington and regional offices is built and trained, incidental rules and regulations on procedure, as well as some interpretative answers, will be given out.

Beyond that, there are the large questions which, ultimately, will go to the courts for final decision. On this class of problems, as Mr. Andrews says, "the Administrator has no power to make any binding ruling."

LABOR ANGLES

SHORT WEEK VS. MORE PAY

THE BATTLE between "share work" and "satisfactory pay envelopes" continued this week in Detroit with appreciable progress for the side of efficiency and common sense. The issue was brought to a head last week in Detroit with the Plymouth strike, instigated by laid-off unionists who have been pushing hard for shorter and shorter work-weeks until full re-employment is achieved. But a groundswell of conservative opinion among the employed workers is aiding management in reaching a reasonable agreement on standards.

BOOKLET IN WIDE DEMAND

PREPARING FOR ITS 1938 "Congress of American Industry," the National Association of Manufacturers took time out this week to check up on reception of last year's resolutions. From the report adopted by the 1937 congress, a booklet on "Constructive Industrial Practices" was printed for checking purposes by plant executives and supervisory workers. Demand for it is evidence of management's interest in good methods—first printing of 15,000 was exhausted in six weeks and at present the distribution totals 30,000.

FOR MURPHY AND EARLE

ONE OF THE BIGGEST and most spectacular of all "new era" political drives by organized labor is that now getting up steam for Gov. Frank Murphy in Michigan. Set back on their heels by the primary defeats of Tom Kennedy in Pennsylvania, Maury Maverick in Texas, and a few less important favorites, the industrial unions are going to put everything they've got into the campaigns for Murphy and Pennsylvania's Earle. In Michigan, WPA workers are getting lots of attention from the pro-Murphy campaigners, and the huge United Automobile Workers union has set up a special "Murphy for Governor" committee with all of its executives on it. Locals have been asked to buy Murphy buttons, at 10¢ apiece, for all their members.

RETAIL AUTO LABOR

NEGOTIATIONS BETWEEN the Cleveland Automotive Trade Association's motor car dealers and the A.F.L. auto mechanics' union have been resumed on a more realistic basis than that which formed the basis of the abortive conferences of last summer (BW—Aug. 13 '38, p.33). Meanwhile, the auto salesmen who walked out in August have been drifting back to work, and are not pressing their demands for abolition of the "clip system" of cutting commissions to match too great an allowance on trade-ins.

"We no longer watch the clock"

— A TRUE CONFESSION!



We used to work along gaily enough all morning. And part of the afternoon. But then that crowded, constricted, harassed feeling would get us and we'd say "Will 5 o'clock **never** come?"

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To make the 5 o'clock test just compare Remington Noiseless Typewriters in your office... use them exclusively for the free test period. Decide by the way you feel at 5 p. m.—by the increased work turned out each day—how completely a noiseless office protects your nerves, your temper, your energy and your desire to work. Remington Rand Inc., Buffalo, N. Y.—World's largest manufacturer of noiseless and portable typewriters.

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Underwood & Underwood

JOSEPH SHEEHAN

A dynamic little Irishman with a straight eye and a fighting chin.

Dollar Lines Get Set

Reorganized company, changing its name, prepares ambitious expansion program.

WEST COAST BUSINESS heaved a sigh of relief this week when the rejuvenated Dollar Steamship Lines slid down the ways with new officers on the bridge and ambitious plans for the resumption of its two major services within the month. Legal formalities that were incident to turning complete control of the company over to new President Joseph R. Sheehan and Board Chairman William G. McAdoo, selected by the United States Maritime Commission to head the line, were concluded Oct. 11.

R. Stanley Dollar, whose father, Capt. Robert Dollar, first unfurled the famous Dollar house flag half a century ago, gathered up his personal belongings and departed the office he had occupied for more than a decade in the Robert Dollar Building on California Street, San Francisco's shipping row. His first vice-president, Hugo L. Lorber, went with him, leaving in new hands the vast shipping domain built up by the Dollar family.

Repairs Immediately Started

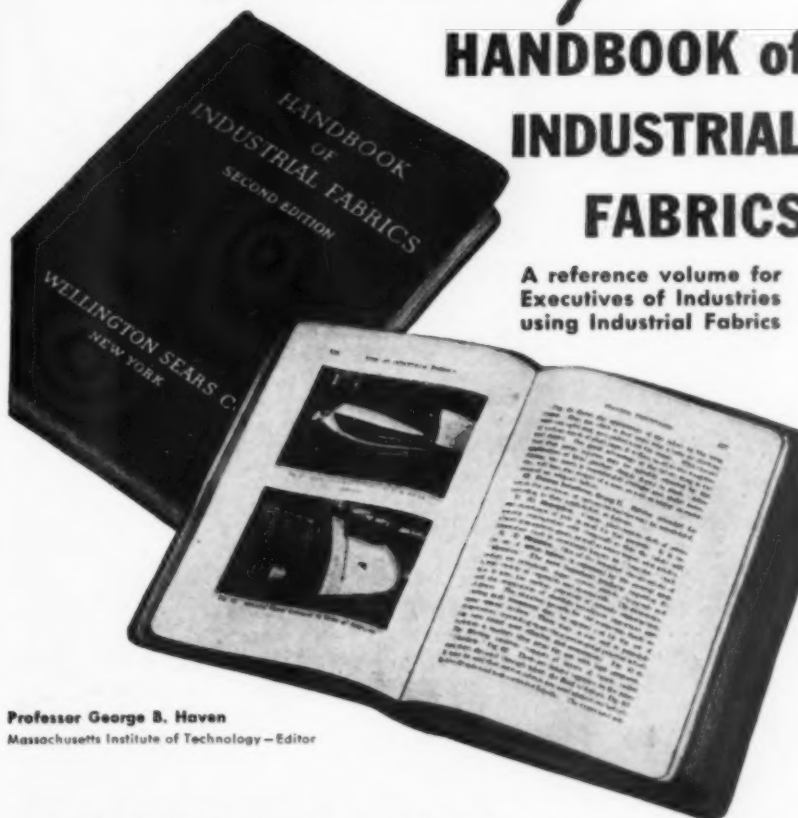
Transfer of control to the government immediately made available \$4,500,000 cash for the reconditioning of ships and operation of the line, and promptly two 'round-the-world liners were hustled into drydock for repairs that will cost approximately \$150,000 each. In New York, the *President Adams*, just completing a world cruise, was laid up for a three weeks' overhaul, while the *President Monroe* was towed to the yards from her long anchorage in San Francisco Bay.

Both vessels will be gone over from top-mast to keelson. Bottoms will be scraped, crews' quarters improved,

New Revised Edition Now Ready

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The Revised Handbook of Industrial Fabrics will prove of particular interest and value to Executives of those industries which use industrial fabrics in manufacturing processes or in the fabrication of their products. Here in one handy volume is the only complete treatise on industrial fabrics that we know of. The first edition was adopted as a text book in textile courses in fourteen leading colleges and textile schools. This new edition contains 741 pages—hundreds of illustrations—the latest A. S. T. M. specifications for industrial fabrics, etc. A new chapter is added on use of the slide rule and nomographic charts.

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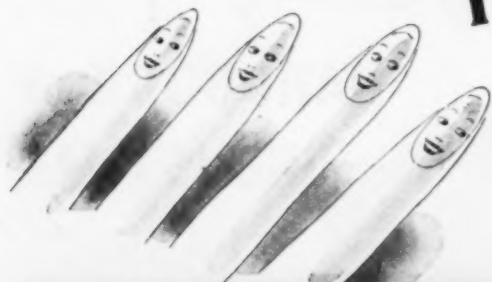
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new safety devices installed, machinery checked and replaced where needed, and the ensemble given a new paint job. Included in the safety repairs will be electric davits for each lifeboat, fire-proofed bulkheads and doors and fire prevention systems. In quick succession the remaining vessels of the fleet will be likewise reconditioned.

President Joseph Sheehan, a dynamic little Irishman with a straight eye and a fighting chin, hopes it will not take the entire \$2,000,000 provided by the commission for repairs to complete the job. But if necessary, the full amount or more will be used to put the fleet in tip-top condition.

Push Building Program

In addition to the rejuvenated vessels, the management hopes to have the first part of the line's construction program under way before the end of the year. This includes three ships of the *President Coolidge* type at a cost of \$10,000,000 to \$11,000,000 each and seven C-3's for cargo service across the Pacific. The Dollar Lines' needs have been given priority status by the commission designers and architects.

First scheduled sailing is that of the *President Coolidge* set for Nov. 3. Every two weeks thereafter, a Dollar liner will steam out under the Golden Gate Bridge on either the trans-Pacific or the 'round-the-world service. Four ships will be used in the former and eight in the latter trade. The thirteenth vessel of the fleet will be held as a "spot ship" to fill in during regular overhaul of the others, or for emergencies.

Business for the Coast

Restoration of the Dollar Line means cash in the till to Pacific Coast business, especially San Francisco. Says Mr. Sheehan: "In 1936, the last year of normal operation, the company produced revenues of \$16,000,000. This gives the organization a purchasing power of some \$14,000,000. Of this, about \$10,000,000 goes for supplies—fuel oil, food, stores, repairs—the bulk of which are bought on the West Coast."

With the fleet in full operation, the company will have some 2,500 officers and men afloat at total annual wages of more than \$2,700,000. About 650 men and women comprise the shore staff, with salaries aggregating \$835,000 per year.

The reorganized company plans a vigorous national business promotion campaign, to keep the holds of the Dollar ships full of cargo and their cabins full of passengers. The new management will go after a share of the profitable intercoastal trade and a slice of the traffic to the Hawaiian Islands. In the latter operation, Dollar

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will be entering a new field. For years, the Matson Navigation Co. has enjoyed a monopoly on business from the mainland to the islands under a contract with the old Dollar management. This contract recently was declared void by the commission, and Matson has requested a rehearing (*BW—Aug. 27'38, p.23*).

Round-the-world service, important to the West Coast tourist trade be-

cause cruise passengers are usually good spenders, will start from San Francisco, touch Honolulu, Yokohama, Kobe, Manila, Hong Kong, Singapore, the Straits Settlements, India, Mediterranean ports, Le Havre, London, New York and back to the Pacific through the Panama Canal. The trans-Pacific will turn around at Manila, returning up the China Coast to Japan, Honolulu and San Francisco.

Steering the Ship Program

Maritime Commission has confident answer to criticism, but faces tough problem in operators' plea that they can't raise money to handle their end of the job.

WASHINGTON (*Business Week Bureau*)—While incorrigible sons of the world's family play with its loaded guns, attention turns again to the nation's merchant shipping, supply train of the Navy. After two years of President Roosevelt's 1936 ship subsidy law to "buy a merchant marine," the Maritime Commission is steering an uncertain course with three-to-two votes on major issues, is far behind its 50-ships-a-year schedule, and appears to be drifting toward federal ownership and operation. Stripped of all brass trim, the commission's chief concern now is to find a means of setting up foreign service whether or not private operators are ready to take it over.

Failure of "private" shipping to contract for replacements under subsidy provisions has altered the commission's course. The surveys which revealed widespread bankruptcy in the industry were not made until after the law was passed. Congress did not understand the problem and was intent mostly on following up the Black investigation by lashing everybody to the mast. Now, to all argument from Washington that a few new boats would do the work of a greater number of obsolete tubs, attract more business with greater speed, and earn better profit through fuel and other economies, the operators make the unanswerable plea that they haven't the money. This despite the fact that only 25% of foreign costs is required as down-payment, while the balance is loaned at a low interest rate of 3½% for 20 years.

Bank Loans Are Apparently Out

Why don't operators get the money from banks? Because, first, the foreign service shipping business has been forced out as bankable security the world 'round by subsidy support under all maritime flags, especially in the United States, whose cost standards are highest. Second, the government does not urge bank loans, since payment of bank

interest difference over government interest would simply come out of the federal till under the profit "recapture" clause when companies earn over 10% on investment. Third, banks wouldn't lend the money anyway on "second mortgage;" the government holds first claim.

So the commission goes ahead, placing orders for its standard C2 and C3 cargo-passenger ships, faintly hoping they will be more salable or leasable on display than on blue paper. The real object is to put them on "essential" trade routes. Only 37 ships are actually contracted for, 10 of them by Standard Oil with premium money for defense features but no subsidy, and all but a half-dozen or so of the rest for government account. The goal is 500 in 10 years.

Critics Assail Plans

This fleet-of-500 program, say critics, is a myth, fantastic as the one about Helen of Troy who inspired the launching of 1,000. Our foreign service fleet now totals about 400, and of those only 150, more or less, are under federal subvention. What can the government do with the 500 if and when it gets them? Bear in mind, the critics add, that the overplus would be even greater because of the efficiency of modern design.

The commission answers that 500 would include replacements in the domestic fleet also, which is larger and even more down-at-heel than the foreign fleet. (The government lends money to build domestic service ships but cannot subsidize building or operation.) And besides that, if this country gets the nucleus of an overseas fleet with speed and economy enough to compete for business, it might reach something like parity among maritime nations and might actually need 500 bottoms.

Many critics challenge the entire principle and objective of the rehabilitation program. One of them is Henry Wallace. Sec. Wallace says that the

Prevent—do not lament loss!



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No other day gives employees the same tingling sensation as that on which "the ghost walks" . . . pay day.

In these times, no well managed company need brave the risk of having even a small payroll exposed without protection to the hazard of robbery.

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United States obviously is not economically fitted to sell world shipping service and might as well get out of the business and save millions in tax money.

The commission's answer is confident and threefold. In the first place, it says, if we let down, foreign shipping would encroach upon us until the Navy would have much less than the inadequate auxiliary service it now has to depend upon and would be helpless. Second, foreign shipping would rig its rates to destroy our foreign markets. Third, if we depended upon foreign service to carry our world trade we would be high and dry when all foreign shipping was called home upon the first hint of emergency.

Germany's action in the recent crisis is a pointed illustration.

One remedy that will not be resorted to is federally-sponsored foreign construction for the American flag. Congress sees a labor dragon and screams in horror at the very mention of it, Ambassador Kennedy notwithstanding. And to abandon foreign service shipping simply because it costs this country dearly is unthinkable to the advocates of rehabilitation.

The commission's operating subsidy is closely interlaced with the construction grants, and its basic philosophy is so complicated that some shipping men never comprehend it. For instance, op-

erating subsidy runs about \$60,000 per year per ship. Owners pay the government about \$60,000 a year per ship as amortization on construction loans. Why the book keeping? Why the exchange of \$60,000? Why this finagling which lays open the whole business to Congressional suspicion? Simple, direct procedure of some kind is said to have been urged upon the commission, but the law is not easily changed.

Improvements Introduced

Meanwhile the commission is doing a fine technical job on ship design. It is gaining ground against labor insubordination through seamen's training schools. It is planning amendments to improve its relations with the Bureau of Marine Inspection, which is said to have impeded progress. But, meanwhile, also, it is showing signs of internal weakness. A bitter contest preceded federal acquisition of the Dollar Line. The commission succumbed to White House politics and put defeated Senator McAdoo in charge, fearing as it did so that he will almost certainly run his wires into its business. It put its own man, Joseph R. Sheehan, in as head of the Dollar Lines under Chairman McAdoo.

Whether the Navy is really expecting the ships, or is figuring on another Hog Island, is not known. It looks as if the government, if it has any clear view of the matter, is aiming more at protection of commerce than at Navy defense. If Navy auxiliary were the main point, more pressure would be brought for aid to the domestic fleet. Many observers think a Hog Island emergency job would be cheaper than keeping the merchant marine under a perpetual oxygen tent. But unless some basic change is made in the program, foreign service will limp along with Uncle Sam disguised as a business man.

Growers Woo Public

Coast vegetable and melon industry prepares campaign to explain steps taken for self-protection.

A PUBLIC RELATIONS CAMPAIGN in behalf of the \$90,000,000 vegetable and melon industry of California and Arizona is scheduled to get under way soon through the Western Growers Protective Association, Los Angeles.

Growers have concentrated chiefly on matters pertaining to traffic and legislation in the past but are convinced now that closer attention should be given to the part played by public opinion in both problems. Public criticism of such spectacular tactics as the lettuce plow-under in Arizona and California this season (BW—Jun 11 '38, p. 22), which growers insist was a necessary defensive

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measure, has sharpened the industry's interest in a public relations effort.

The business community's stake in growers' prosperity will be emphasized by pointing out that: (1) Growers buy \$100,000,000 in supplies and services annually; (2) vegetable crops return more money to California than citrus—in 1937, some \$90,000,000 against \$85,000,000 for oranges, lemons and grapefruit; (3) bulk of production is by 1,000 operators each farming about 500 acres; (4) lettuce alone brings \$23,000,000 a year to California growers—more than lemons and grapefruit combined.

To Cut Fruit Acres

Big Coast orchardists seek federal financial backing for tree-pulling campaign.

TO WIN GOVERNMENT FINANCING for an ambitious tree-pulling program that would eliminate crop surpluses, some of the biggest orchard operators in California, Oregon, and Washington are laying plans that they hope will "jell" successfully during the next few weeks for a powerful cooperative drive. Total orchard investment in the three states, excluding citrus acreage, runs to about \$600,000,000.

Playing an active part in the preliminary organization work are such men as H. C. Merritt, Jr. (Tagus Ranch, 7,500 acres in the San Joaquin Valley of California, including the "world's largest peach orchard"), Carlisle Thorpe (California Walnut Growers Association), Joseph Di Giorgio (whose farm operations give year-round employment to 3,000 hands), L. R. Hart (Sebastopol Apple Growers Association), James Mills, Jr. (Mills Orchards Corporation) and E. F. Loescher (Hoover Farms). It is this group, organized as the American Horticultural Institute and backed by other important growers, which is urging the tree-pulling plan.

Aim at Government Funds

Strength of the drive will depend on how completely the idea is sold during the next few weeks to the small operators and to the California Fruit Growers Exchange (Sunkist). The Institute claims that a majority of the farm marketing co-ops are ready to go along, regardless of whether or not the citrus people in Sunkist participate.

The program is designed to tap government funds by inducing the Agricultural Adjustment Administration to pay orchardists for removing diseased, marginal, and uneconomic trees, leveling the land, and planting some other crop.

Cost of the job, say sponsors, would about equal the present annual govern-

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Due from Banks and Bankers	\$ 700,989,773.31
Bullion Abroad and in Transit	29,187.00
U. S. Government Obligations	538,502,059.88
Public Securities	54,049,306.82
Stock of the Federal Reserve Bank	7,800,000.00
Other Securities	18,283,727.39
Loans and Bills Purchased	514,134,594.37
Credits Granted on Acceptances	19,248,615.66
Bank Buildings	12,272,538.61
Other Real Estate	682,944.16
Real Estate Bonds and Mortgages	1,911,117.98
Accrued Interest and Accounts Receivable	30,890,879.80
	\$1,898,794,744.98

LIABILITIES

Capital	\$ 90,000,000.00
Surplus Fund	170,000,000.00
Undivided Profits	12,041,182.65
	\$ 272,041,182.65
Dividend Payable October 1, 1938	2,700,000.00
Miscellaneous Accounts Payable, Accrued Interest, Taxes, etc.	19,988,037.44
Items in Transit with Foreign Branches	2,106,123.99
Acceptances	\$ 36,871,247.06
Less: Own Acceptances	
Held for Investment	17,622,631.40
	19,248,615.66
Liability as Endorser on Acceptances and Foreign Bills	9,246,498.00
Agreements to Repurchase Securities Sold	323,220.00
Deposits	\$1,535,019,694.53
Outstanding Checks	38,121,372.71
	1,573,141,067.24
	\$1,898,794,744.98

Securities carried at \$13,278,573.07 in the above Statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

WILLIAM C. POTTER, Chairman

W. PALEN CONWAY, President

EUGENE W. STETSON, Vice-President

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GEORGE G. ALLEN	Director, British-American Tobacco Company, Limited, and President, Duke Power Company	JOHN A. HARTFORD	President, The Great Atlantic & Pacific Tea Company
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EUGENE G. GRACE	President, Bethlehem Steel Corporation	CORNELIUS VANDERBILT WHITNEY	Banker
W. A. HARRIMAN	of Brown Brothers Harriman & Co.	GEORGE WHITNEY	of J. P. Morgan & Co.
		L. EDMUND ZACHER	President, The Travelers Insurance Company

(Member Federal Deposit Insurance Corporation)

ment expenditures for buying fruit surpluses in the three states. The fig growers believe that for an amount equal to one year's surplus-diversion payments they could cut orchard production to match demand. The California prune industry figures it needs about \$2,500,000 to get similar results. The California Walnut Growers Asso-

ciation figures that the 35,000 sub-marginal acres responsible for more than half the of the industry's over-production could be eliminated through tree removal for 20% of current annual payments for surplus diversion.

Backers insist there will be no attempt to cut production to a point that will increase prices.

Electrical Appliances Snap out of It

After a year of deep doldrums, unfamiliar to a new and thriving industry, manufacturers anticipate a good last quarter. Inventories are down, prices firm.

FOR THE FIRST SEVEN MONTHS of this year the electrical appliance business was deep in the doldrums. Even electric refrigerators, which boasted an enviable record of steadily increasing sales ever since they were first introduced—with only one minor slump in 1933—were this year showing sales declines averaging almost 50%. As for other big load-building appliances, they were all pretty much in the same boat; manufacturers' sales of ranges were down 36.7%, washers down 43.4%, and water heaters down 44.6%.

Early in the summer the tide began to turn. Manufacturers' appliance sales

were still as sluggish as ever, but retail sales were beginning to perk up. By August—the latest month for which full statistics are available—it looked as if the log-jam were broken for sure. Manufacturers' appliance sales figures for August not only showed a contra-seasonal upturn, but presaged a fall season whose volume would come close to last year's.

In the refrigerator field, sales are usually at their peak in the spring, drop off gradually until October, when they start climbing up again until Christmas. This year, the upswing came three months early; refrigerator sales jumped

from 88,772 units in July to 92,956 in August, and the decline from last year's record, which had averaged 46.8% for the first seven months, stood at only 22.9% for August.

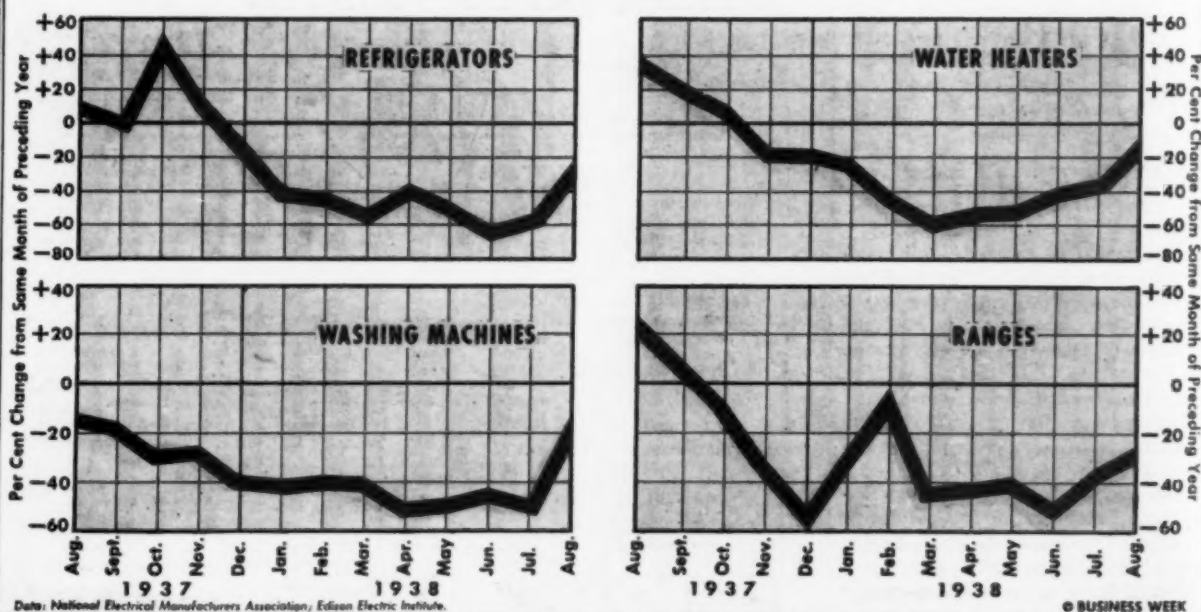
Even more encouraging is the fact that refrigerator inventories, which were built up to a staggering all-time high last January, had by August been worked down to their lowest point in some five years. Furthermore, though the inventory situation was for a time a dangerous threat to a stabilized market, the liquidation was achieved without any demoralization of the price structure such as resulted in the radio field under similar circumstances. Refrigerator prices, as a matter of fact, are roughly the same as they were four or five years ago—the ultimate consumer getting more for his money nowadays, according to the manufacturers, in the form of better machines, more space, more improvements, and longer guarantees.

Expect Washer Sales Spurt

Washing machine sales for August tell the same optimistic story. Off over 40% for the first seven months, in August they were only 14.6% below the same month of 1937. This figure is partly deceptive because Maytag, the giant of the washer field, went back into production on Aug. 10 this year, after settling the strike which had sharply

LOAD-BUILDERS HIT THE UPGRADE

Analysis of the sales of four major electrical appliances from August, 1937, to August, 1938, with each month's sales expressed as a percentage change from the same month of the preceding year, provides evidence of the industry's response to recovery, particularly accented in the last month for which figures are available.



curtailed its operations since last May.

Warehouse and dealer stocks of washers and ironers which piled pretty nearly as high as refrigerators when buying slowed up in the fall of '37, have been slowly whittled down. August's sales of 114,158 washers were the most the industry had sold since September, 1937. Prices were stable—averaging, at retail, \$73.39 this year as compared to last year's \$73.50. Dealer orders were coming in fast. Manufacturers were finding themselves once again unable to supply demand promptly. There were reports of manufacturing plants running on double shifts and wage cuts being restored. With a whopping big promotion coming up the week of Oct. 23-29—National Washer & Ironer Week—which is expected to produce a record volume of sales, the industry is looking forward to a prosperous fall.

Range Industry Hopeful


Electric ranges in the first seven months were down 36%, beside which a minus 27% for the month of August looked good. The Modern Kitchen Bureau's heavy campaigning is generally credited with keeping electric ranges comfortably above the low levels touched by other appliances in the early part of the year, and now that the utilities have begun to buy again, the range industry figures on chalking up further improvement.

Electric water heaters are still the babies of the appliance family. Down 41.8% in the first seven months, August was a mere 6.8% under August a year ago. Sales of 5,620 units compared with 6,439 in July this year and 6,230 last August.

There were other indications that the electric appliance business was well on its way out of the doldrums. For example: electric roasters, newest and fastest growing of the plug-in electrical cooking devices, were rocketing along, chalking up retail sales of \$2,500,000 so far this year. In August, sales of floor and hand vacuum cleaners, approximately 30% under last year for the first seven months, were only 22% below August, 1937. And General Electric last month officially launched the biggest holiday appliance drive in its history.

Good Sales Seem Assured

With consumer buying under way early, with manufacturers' and dealers' inventories cleaned up at long last, with repossessed merchandise resold or otherwise cleared out of the way, and with vigorous promotions by utilities and the trade already in the works, appliance manufacturers aren't going to have to apologize to anybody during the last quarter for their sales records. As a matter of fact they're going to come pretty close to those of last year—possibly equal or surpass them.



Day and Night
DICTAPHONE
is Ready
says Gabriel Heather

"In covering the news I see Dictaphone at work early and late . . . in offices, homes, even trains and hotels! Whenever and wherever it's needed, Dictaphone is ready for action. It takes memos, 'fixes' ideas, records instructions . . . everything that crosses

a desk. Busy executives like those shown find that using this modern dictating machine is the *easiest* way to operate. At their convenience, they can do things that *need* doing when they ought to be done. And that's the best definition of efficiency I know!"



PHILIP M. MORGAN
Treas., Morgan Construction Co.,
Worcester, Mass.

"... many things are written as reminders which used to be left to memory."



CLARENCE C. MOSACK
Pres., Consolidated Brass Co.,
Detroit, Mich.

"... secretary can now continue writing . . . while I dictate . . . consider its purchase one of our best investments . . ."



DEAN BABBITT
Pres., Sonatone Corporation,
Elmsford, N. Y.

"... makes it possible for me to keep in close touch with our entire international sales organization."



WARREN H. SAPP
Gen. Mgr., Chicago Plant, Armour
and Company

"... so convenient . . . expedites daily routine . . . accumulation of papers and notes greatly reduced . . ."



H. C. ROSENDORF
Vice-Pres., The Holfast Rubber Co.,
Atlanta, Ga.

"... have used it nights, Sundays and holidays without having to ask my secretary to work during these off hours . . ."

NOW MAIL THIS →

There is only one true Dictaphone. It is made exclusively by Dictaphone Corporation at Bridgeport, Conn.; sold through our own offices in the United States and Canada. We invite your inquiry.

The word DICTAPHONE is the Registered Trade-Mark of Dictaphone Corporation, Makers of Dictating Machines and Accessories to which said Trade-Mark is Applied.

Dictaphone Sales Corp., 420 Lexington Ave., N. Y. C.
In Canada—Dictaphone Sales Corp., Ltd.,
86 Richmond Street, West, Toronto

☐ I should like to talk with someone about the loan of a Dictaphone in the New Progress Cabinet at no expense to me.

☐ Send further information about Dictaphone.

Name _____

Company _____

Address _____

BW-10

Steel House Floats from Factory to Its Lot



R. G. LeTourneau, Inc., of Peoria, Ill., builds arc-welded steel houses, delivers them all in a parcel ready for water, sewer, electricity connections. Recently, one of the houses, weighing 42 tons, was floated across the Illinois River, and others, it is announced, will be delivered in the same way.

Price Cuts Plague Oil Industry

Reductions which usually follow the Labor Day touring peak are made in crude and finished products. Kansas on war-path for higher crude allowance.

PRICE TROUBLES, which traditionally attack the oil industry after the Labor Day let-up in gasoline demand, are now appearing. So many reductions are following the cut in East Texas crude (*BW—Sep 17 '38, p. 21*) that a general downward movement is now feared.

A cut of 10¢ per bbl. in the price of crude for the Illinois and Western Kentucky fields brings prices down to \$1.25 and \$1.20 respectively. There have also been reductions in Louisiana and Arkansas. Pressure of the cuts is being felt all along the marketing chain. Standard Oil companies in many areas have sliced tank car prices and competition had to follow suit. In Oklahoma's Mid-Continent market third-grade gasoline is quoted at about 4¢ a gal. wholesale, the lowest in a long time.

Anxious to Clear Out Stocks

The general unsteadiness in crude naturally worries holders of stocks all down the line. A good many refiners and wholesalers are hurrying to clear out their inventories through drastic concessions. When a downward spiral of this sort starts it is a hard thing to scotch.

During all the shooting, the Inter-

state Oil Compact Commission met in Tulsa on Sept. 29. Since the organization has only the power to discuss and recommend, the most exciting item on its program was the question of whether the states and Congress should extend the interstate compact which would otherwise expire Sept. 1 next year. The explosion which Gov. Huxman of Kansas threatened to touch off in order to obtain a greater percentage of crude production for his state failed to materialize at the meeting.

Today Kansas is oil-poor, whereas four years ago, when the state's potential production was one-tenth of what is claimed today, its oil industry was in pretty good shape. Allowable production for September was 4.8% of claimed potential, while some of the largest producers were limited to less than 2%. About the only drilling that is going on is for offset wells required by lease stipulations. Wildcatting is at a standstill.

Independent oil men, through their spokesman, H. A. Meyers, managing director of Kansas Independent Oil and Gas Association, Wichita, claim that certain major buyers are discriminating against Kansas crude.

Independents are faced with the

proposition of renewing leases on large undeveloped tracts or giving up and getting out. And if they do it is certain that the major producers will step in.

The action of Phillips Petroleum Co., in flatly refusing to take all of the oil allotted to it under the September order (it refused some 3,500 barrels, daily, or 15% of its total) presented a confusing problem to the Kansas State Corporation Commission. The commission has no power to make a corporation buy oil it does not want. On the other hand, this incident has demonstrated how just one buyer can upset the allocations of oil throughout the whole state. If Phillips doesn't take the oil, who will? The other buyers don't want it and so for the time being, it is charged back to Phillips—a sort of a deferred charge, with the hope (a faint one) that the company will take up the surplus some time in the future.

Allowable Issue Troublesome

But since Phillips was buying oil from only certain pools, another problem presented itself: shall the allowables of just these pools be changed, or those of the whole state? The commission has no precedent to follow. The whole proration scheme is based on an idealistic theory coupled with a gentlemen's agreement providing that there shall be no discrimination and that each well shall be permitted to produce its share of oil.

The Phillips refusal to take its allotted amount of oil has convinced members of the state corporation commission that federal regulation is imperative.

One reason, probably the most important, why Kansas oil is not being bought in proportionate quantities to that of Oklahoma is that the new western Kansas fields, opened up during the past two years, have been stretching in an opposite direction from the markets. Production today is far ahead of pipe lines and it is hardly conceivable that pipe lines will be extended to these new fields while there is a surplus of oil nearer the refineries.

Trade Is Not Without Tricks

While major oil interests are saying little for publication about the situation in Kansas, several of their representatives have, in off-the-record comments, pointed out that the potential for the state could stand a lot of trimming and still be too high. It is common knowledge that unscrupulous producers have learned many smart tricks to boost their potentials. Favorite stunt which will convert a 100-bbl. well into a 500-bbl. producer while undergoing test for potential rating, is to run oil back into the well from a nearby storage tank through a concealed pipe.

MARKETING ANGLES

LINEN UP BEFORE FTC

LAST OF THE FABRICS to come up before the Federal Trade Commission in its fiber-identification drive is linen. Fair trade practice rules have already been promulgated on rayon, and on shrinkage in woven cotton yard goods, and they're pending on silk and wool. On Oct. 25 there's to be a fair trade practice conference with the linen industry at the Hotel Astor in New York. There's a similar conference coming up with the photo-engraving industry, to be held Oct. 19 at the Hotel Mayflower in Washington.

THAT ANTI-PATMAN DRIVE

A. & P. is currently extending its advertising drive against the Patman chain tax (*BW—Sep 24 '38, p22*) to newspapers in 39 states. The National Association of Food Chains devoted much time to Patman's plan at its convention in Chicago this week. The Institute of Distribution is expected to join A. & P. in its anti-Patman drive. American Stores Co., running a "Harvest Week" of sales in all its stores recently, issued a statement arguing that if it hadn't been for the aggressive competition of American and similar chain organizations, consumers would long ago have found it necessary to organize cooperatives. And in New England, in the wake of the hurricane, First National was joining hands with A. & P. in a drive to sell a whopping big surplus of apples which had been blown down by the storm.

SPUDS DROP THEIR PRICE

SINCE 1935 Spuds, which at one time promised to become the fastest-selling 15¢ cigarette, have been slipping behind Kools and Philip Morris. Now, in an effort to climb back to their former position, Spuds are going off their regular 15¢ price, dropping to the price of the Big Three.

CURBING THE RADIO HORRORS

It's TAKEN a long time, and a lot of threats from legislators, educators and women's clubs, but finally something's being done about those "kiddies" programs on the air. The National Broadcasting Co. has just slapped strict restrictions on them. Hereafter, new children's programs on NBC can't air physical torture scenes, kidnappings, or gun-shooting, and won't be allowed to leave the hero in any precarious position at the end of an instalment which might emotionally upset the little listeners. Children can't be asked more than once on each program to "have mother buy" any product nor can they be asked to send in six box-tops to save the hero from the crocodile pit.

\$100 Worth of Insurance, please..."

THAT'S the way thousands of men buy insurance. Sounds simple, doesn't it? But insurance against what? How will it be paid?

There is one man who reads insurance policies with interest and understanding. He is the experienced insurance agent. He knows exactly what he is buying for you. Insurance against what—and when and how it will be paid. And when a loss occurs, he is your representative.

Insurance that minimizes the agent's function may lessen your protection, your service. Insurance is dollar protection. There are no cut-rate dollars for sale.

Let an experienced agent take a look at your business from an insurance point of view. Like a check-up by your family doctor, it can do no harm—may save your business life.

NATIONAL SURETY CORPORATION

VINCENT CULLEN, *President*

One For All and All For General Foods

KATE SMITH vs. JOE PENNER

Three Rounds to a Swell Decision



LAST WEEK three General Foods products and their two advertising agencies (Benton & Bowles and Young & Rubicam) got together to plug two new radio programs in this unique newspaper ad. The ad didn't mention sponsors or products, merely urged readers to listen to Joe Penner's (Huskies)

show, then wait for Kate Smith (Swansdown Cake Flour, Calumet Baking Powder) on the same network. One good program following another can usually count on a hangover audience, but the idea of trying to build it up in paid space is a new one, credited to Frank N. Smith, Huskies assistant advertising manager.

Auto Dealers Get a Break

Manufacturers make many changes to relieve complaints and to protect the rights of their dealers. FTC's investigation will have little effect.

WHEN, AS, AND IF the Federal Trade Commission gets around to completing its investigation of automobile factory-dealer relations under the Withrow resolution, it will be up against a tough problem in the way of making definite recommendations as to needed changes.

By that time, if the present trend continues, there apparently will not be one major manufacturer who will not have incorporated in its franchise and policies most of the changes that dealers have demanded—and to determine the desirability of which the FTC investigation was authorized.

Franchise Gives More Protection

In spite of the fact that 1939 contracts will incorporate more changes than in many a year, the move toward improved factory-dealer relations has not been an entirely sudden one. The trend really got under way as far back as January, 1936, when General Motors announced a franchise which provided a dealer with better protection on the question of franchise cancellation. Through this new contract he was given 90 days' minimum notice, the factory protected him financially by repurchasing new cars, service parts, signs, and special equipment carried to service the line. The contract even provided for partially underwriting the dealer's lease in the case of cancellation, and protected him on "clean-ups" before new model introduction.

A year after G.M.'s move, manufacturers revised their f.o.b. pricing policies in order to reduce the wide differential between advertised "list" and

actual delivered prices. That policy is now universal. At the same time Pontiac led in a different direction: it adopted a policy of protected or "closed" sales territories for dealers and set up infringement penalties. Closed territories have long been demanded, of course, by automobile dealers. Dealers believed that the factory itself should also enforce penalties for infringing on another dealer's sales area.

Today the great majority of manufacturers have incorporated in their contracts provisions for closed territories, setting up infringement penalties which range all the way from \$15 to \$250, depending on the make and price of the car. Most of these companies have also incorporated a clause providing for factory collection and distribution of infringement penalties.

One bug remains from this standpoint: actual enforcement itself. Chevrolet is at present meeting this by organizing its "Territorial Security" set-up. Where distributors are part of the distribution picture between dealer and manufacturer, as with Buick, Cadillac, Graham, Packard, etc. some factories assess penalties only on the distributors and not on their dealers. In Hudson's new set-up, master dealers are responsible to the factory, but associate dealers are not. Further, some factories, while providing for factory enforcement, have not provided the necessary machinery to actually carry it out. Some, like Nash and Cadillac, however, charge the offending dealer directly, in his account with the factory.

Ford's new contract is expected to

incorporate flat rate penalties for infringement, and these are to be included under "owner service" in order to establish a charge on the infringing dealer as money not earned, since he will not service the purchaser's car, and the same amount will be transferred to the other dealer as compensation for giving this service.

At present Ford already has closed territories in effect in some localities. In New Orleans dealers are charged 5% of the sale price.

March of 1937 found Chevrolet setting up a used car department at the factory and in the field on a par with the New Car Sales Department. To date, Chevrolet is still leading the parade in this respect.

Appraisal Bureaus Tried

Chevrolet has also experimented with the idea of appraisal registry bureaus in metropolitan areas—to prevent Chevrolet dealers from chiseling in on each other's deals. These appraisal bureaus do not attempt to prevent reasonable increases in allowances, but prevent one dealer from "stealing" the deal by upping the allowance only a few dollars at a time.

Ford, it is believed, was the leader in this field of endeavor, operating appraisal registry bureaus in multiple dealer points as recently as 1931 and 1932. Dropped during the NRA days, Ford has recently revived the bureaus. Buick is also trying an interesting experiment in Philadelphia. There it is operating an "appraisal bureau" the function of which is to carry into metropolitan areas the idea of closed territories.

In March of 1937, also, Chevrolet introduced the idea of organized dealer councils to give dealers a voice in the development of sales policies. Studebaker has just followed with a similar idea. Nash is also planning regular

Our policy ... in 62 words

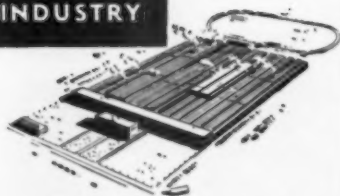
As each new account comes to us, a highly specialized service is built around it... tailor made.

We do not take on an additional client until we have established this thorough service behind the latest one.

We further restrict the growth of our clientele to the capacity of one or more of our principals to give continuous personal service to each client.

**Newell-Emmett
COMPANY**
Advertising Counsel
40 EAST 34th ST., NEW YORK

Who's who
IN
SOUTHERN
CALIFORNIA
INDUSTRY



GENERAL MOTORS

When dedicating the great General Motors Assembly plant at Los Angeles, Mr. Alfred P. Sloan Jr., said, "The present trend toward more rapid industrial growth of the Pacific Coast is a development that will increase the prosperity of your people and contribute its share to the economic stability of the nation as a whole." Low-cost power, one of the important factors in this growth, has made Southern California a favored spot for Coast industry.



★
THIS MAP SENT FREE...
This map is the Who's Who of Southern California industry, gives names and location of important industries in the area. Write for free copy.

**SOUTHERN CALIFORNIA
EDISON COMPANY LTD.**

601 W. FIFTH STREET

Low-cost
Power

LOS ANGELES, CALIF.

dealer council meetings in the field.

In April, 1937, major manufacturers buried one source of discord with dealers by abandoning fleet discounts. It was at about that time that Chevrolet announced a "quality" dealer program, setting up sound business requirements to be met by any one wishing to handle the Chevrolet franchise. The net effect of the program in large cities is to reduce the total number of dealers—long demanded by dealers themselves—by eliminating the fly-by-nights. A similar limitation on number of dealers is now being put into effect by Hudson and Nash.

It was not until April, 1938, that the Withrow resolution was passed by Congress and that hearings were begun. In July, 1938, Ford initiated a revision of sales policies—also looking toward the setting up of "quality dealer" standards, and began preparation on a revised franchise agreement.

Besides the policies mentioned above, there are a number of other interesting recent developments, including:

1. Limitation by G.M. and Nash of production at end of model year, by agreement with dealers, covered by contract clauses.
2. With a general reduction in prices in effect on 1939 models, many manufacturers are increasing discounts slightly to compensate for the otherwise reduced gross profit to dealers.
3. Several producers have changed quantity discount provisions to cover sales of all cars instead of sales by different chassis models.

Wisconsin Dealers Up in Arms

While factories thus were taking the initiative in improving dealer relations, the National Automobile Dealers' Association was torn with internal strife. Wisconsin dealers, largely responsible for the Withrow resolution, accused the N.A.D.A. of siding with the factories and threatened to pull out of the national organization. Further, Wisconsin dealers wanted the N.A.D.A. to promote the Wisconsin dealer state licensing law in other states. In Wisconsin, nobody can become an automobile dealer without the approval of the state banking commission. Local dealers serve on advisory boards to the banking commission, and are thus frequently influential in preventing the establishment of too many dealers in one area by any one manufacturer.

Last week peace apparently settled once more on the N.A.D.A. with the proposal of a new constitution which will give state dealer bodies proportional representation in the national association, and increase the directorate to make it more "democratic." The constitution has been submitted to the membership and will become law in April of 1939, if approved.

LEARN

WHY PAGE P-12 GALVANIZING
means longer fence life—at no extra cost



PAGE P-12 Galvanizing is double the thickness of former galvanizing standards. It applies not only to PAGE FENCE fabric—but to fittings, top rail and special wing-channel line posts as well. This PAGE feature assures longer-lived residential, industrial, institutional, golf and cemetery fencing—at no extra cost.

5 SUPERIOR METALS MEET ALL ATMOSPHERIC CONDITIONS

PAGE FENCE is supplied in 5 master metals, one of them best suited to your locality. They include P-12 Copper-bearing Steel, Page-Armco Ingot Iron, Page-Alcoa Aluminum, Page-Allegheny Stainless Steel and Page genuine Wrought Iron picket fence. Page Fence experts impartially recommend the metal meeting your conditions best.

FENCE FACTS FREE

Your inquiry directed to any office listed below will bring you illustrated booklet "Fence Facts" and refer you to nearest of 92 completely responsible Page Fence Distributors for free consultation, expert fencing service and erection by trained crews.



Page Fence is a product of the Page Steel & Wire Division of American Chain & Cable Company, Inc.

See Advertisement back Cover of this issue.

PAGE FENCE ASSOCIATION
Bridgeport, Connecticut
NEW YORK PITTSBURGH ATLANTA
CHICAGO SAN FRANCISCO

America's First Wire Fence—Since 1883

METAL BUILDINGS

Fire and Weather Proof!



Rigid, permanent construction—according to A.I.S.C. specifications. May be altered or dismantled and re-erected with almost 100% salvage. Insulated if desired. Standard or built-to-measure. Find out why Maryland Metal Buildings can be built and maintained at lowest cost per square foot of floor space!

MARYLAND METAL BLDG. CO., BALTO., MD.

MARYLAND METAL BUILDINGS

Advance in Lighting

Fluorescent lamps prove extraordinarily valuable in many lines of business.

UNOBTRUSIVELY INTRODUCED six months ago by both General Electric's Nela Park and Westinghouse Electric & Mfg. Co. (*BW—Apr 23 '38, p. 26*), the new Fluorescent Lumiline Lamps are beginning to take definite places in the electric lighting world. Their basic principle of energizing fluorescent materials with invisible ultra violet light to achieve new economies and lighting effects may well prove to be as big a revolution in the art of lighting as the candle, the kerosene lamp, the gas light, Edison's incandescent carbon bulb, and the modern tungsten-filamented Mazda.

Welcomed by Many Businesses

Owing to the high color output of fluorescent lamps with low current consumption (red incandescent lamps, for instance, need 16 times the current of red fluorescents to give equivalent illumination; blue incandescents need 50 times the current of blue fluorescents), specialists in interior decoration who have been seeking economical colored lighting took them immediately to their bosoms. Restaurants, beauty salons, advertising agencies adopted the new tubular lights almost overnight. Designers came forth with interesting fixtures and luminaires to accomplish varied effects. Plans for the lighting of the New York World's Fair were, almost providentially, sufficiently unjelled to permit the inclusion of enormous footages to illuminate and at the same time decorate next year's display.

Were fluorescent lighting to be confined wholly to colored decorative and advertising effects, their potential mar-

ket would still be huge, but the fact is that a "daylight fluorescent" with its wellnigh perfect simulation of north-sky daylight will produce five times more lumens than an incandescent with practically equivalent current. This attribute opens wide the field of store lighting, where color matching under artificial light has always been a problem. Furs, silks, linen prints, packages, what-have-you all take on new salability under fluorescent daylight. Tellers in banks find such lighting invaluable in the detection of counterfeit bills. New lighting effects in show windows become possible at lower rates of current consumption. Public utilities might well be worried by potential lowering of demand but their officials point to the fact that current demand has always soared as lighting costs have downed.

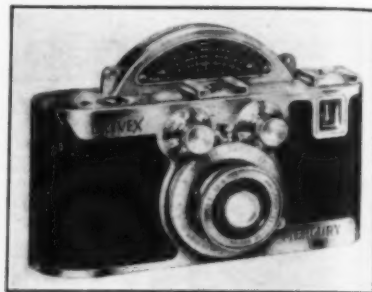
During the past six months of commercial application and development, Nela Park's research crew (which incidentally does work both for G.E. and Westinghouse) has been anything but idle. Among its determinations on fluorescent lighting is the fact that fluorescent lamps produce the same amount of light as incandescents with only one-fourth the heat. When it is appreciated that every 1,000 watts of tungsten lighting requires \$100 worth of air-conditioning equipment, further vistas of money savings appear. And where, as in industry, it is essential to have high intensity illumination for production and inspection operations, the comfort and health value of one-fourth less heat for a given lighting effect becomes an industrial and public relations item of the first magnitude.

NEW PRODUCTS

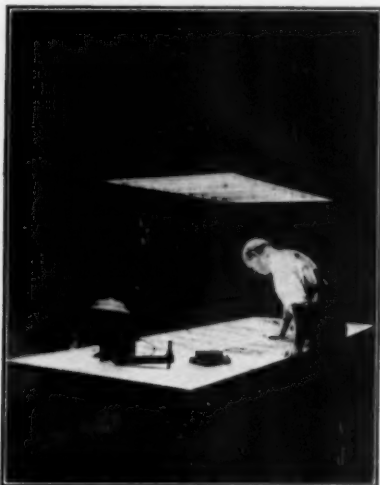
New processes . . . New designs . . . New applications of old materials . . . New twists on old ideas . . .

Salamanders for thawing frosted brick, cement block, and mortar sand may shortly be superseded by the Bric Bloc Defroster, new product of Materials Defroster Corp., 1056 Canal St., Milwaukee. Mounted on automobile wheels for easy portability, this kerosene-fired unit takes in cold material at one end and delivers it warm at the other by gravity. An inbuilt tank also supplies hot water for mixing mortar.

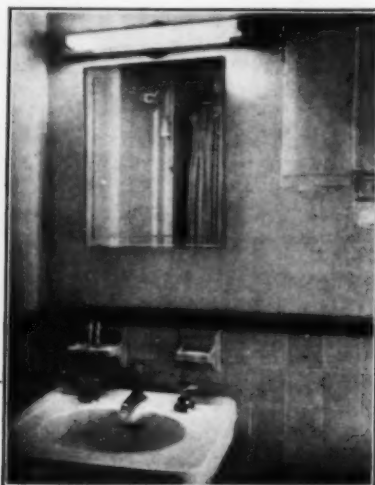
Newest offering of Universal Camera Corp., 32 W. 23rd St., New York, is its Univex Mercury Super-Speed 35-mm. candid camera with f:3.5 lens and 1/20-1/1000-sec. focal plane shutter. All con-



trols are on the front where they can be quickly scrutinized before exposure. The \$25 price includes an inbuilt synchronizer for photoflash bulbs. Bulb-



FLUORESCENT LUMILINE LAMPS developed at Nela Park and introduced last spring are finding new applications daily. One model, with glareless daylight characteristics, lights an engraver's inspection table (left) with one-fourth less heat



than former incandescent lighting. Another model (center) gives warm, almost shadowless illumination to shaving and primping. Still others in colors (right) add new interest and economy to a florist's window display.



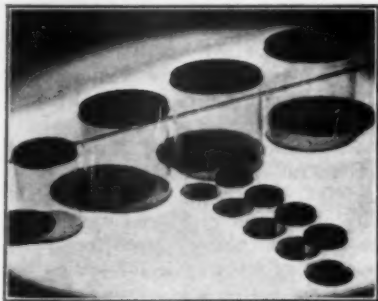
socket, reflector, range finder, extra f:2 and telephoto lenses are all accessories.

Several unusual features mark the new 150-amp. Alternating Current Arc Welder, just brought out by General



Electric Co., Schenectady, N. Y., for light-gage work: spun-glass insulation; continuous stepless current control by hand crank; a circular cover plate over the terminals which prevents painful chance contact with the terminals not being used. G. E. is also bringing out a new 150-amp. D-C Arc Welder for similar work; a new Coating-Thickness Gage for accurate measurement of the thickness of non-magnetic coatings like paint and enamel on iron or steel and a new Inkless-Type Recording Instrument which uses a type-writer ribbon instead of pen and ink to record temperatures over a wide range. No chance for a freeze-up in cold weather; no lag because no drag between pen and paper.

To supply the demand for canisters and spice boxes made of Celluloid Corporation's transparent Lumarith Protectoid, Henry A. Enrich & Co., 6 E. 32nd St.,



New York, is running two shifts. Canisters are sold in four-piece sets; spice boxes, in five-piece sets.

Most recent addition to the Sterilamp line of tubular sources for ultra-violet light is a hot-cathode number, 10-in. long, 1-in. diameter, to operate on a 115-v. a.c. circuit. Its maker, Westing-

house Electric & Mfg. Co., Bloomfield, N. J., had in mind application to cabinet sterilizers and small air sterilizers.

By reducing the surface tension in its Kano Penetrating Oil, Norwood Products Co., 75 E. Wacker Drive, Chicago, is able to demonstrate that the oil will climb between two ground laboratory slides, clamped together, at the rate of 3 in. in 1½ minutes. Rusted nuts and bolts can be loosened up in jig time.

LARGE plants with high ceilings, like steel mills and foundries, require heating units which will deliver heated air at high temperatures and high velocities. Surface Combustion Corp., Toledo, O., is ready with its new gas-fired Mammoth Unit Heater which has an

TESTING

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The discovery of rich oil deposits under water along the Gulf Coast brought new problems of production to the oil industry. In salt water drilling, the paramount requirement is that the rig have a solid substructure that will stand all the stress, strain and weight of the derrick. It must be permanent enough to last the life of the well. It should be resilient enough to give slightly under the impact of barges and tankers which dock alongside. And it must be as economical as possible to give maximum service at the lowest possible annual cost.

The oil industry has found that best results are obtained with Southern pine piling, pressure treated with 16 to 24 pounds of No. 1 creosote oil per cubic foot. Send for the booklet "Oil from Water" which tells of this oil field development.

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Wiring and installation are both simplified in the new In-Bilt Reflector-Refractor lighting unit of Holophane



Co., Inc., 342 Madison Ave., New York. Its prismatic glass refractor, which gives minimal color distortion to colored merchandise, is quickly removable.

Standard Tools

Railroads' joint standardization project yields first results.

SOME TIME AGO, several railroads agreed to exchange information on tools and methods required for various railroad shop operations. First step was the appointment of a joint Mechanical Advisory Committee whose job was first to determine the one best tool or method for a given purpose, then to standardize it, and finally to make drawings of the tools available to the cooperating roads which include the Chesapeake & Ohio, the Erie, the Nickel Plate, and the Pere Marquette of the old Van Sweringen empire.

Next week McGraw-Hill's *American Machinist* will picture five of the first tools standardized by the committee: (1) a "persuader" or remover for tightly driven studs; (2) a tool for removing sticking locomotive valves from their tapered, crosshead seats; (3) a locomotive-inspection hammer with handle calibrated to check important dimensions and with head designed to be used as "no go" gages for lateral tolerances; (4) a gage for setting the eccentric valve-motion crank-arms of valve gears with relation to the main crankpin; (5) a centering tool for lining up locomotive crosshead guides with cylinder bores.

Mechanical men, who have given the new devices a thorough once-over, predict they will have application, in principle, in the production and maintenance departments of many industries.

Earnings—"Not Bad"

Third quarter corporation reports to reflect better-than-seasonal rise in business and cost-cutting.

CALCULATING MACHINES and lead pencils were pushed overtime this week, as treasurers, comptrollers, accountants, auditors, statisticians and clerks of American corporations wrestled with the quarterly job of getting out reports to stockholders. From branch offices, outlying stores, subsidiary outposts, figures on billings and expenses poured into central offices. And when the final reports go out—neatly printed with a word or two from the president or the chairman of the board—many a stockholder will be moved to mutter under his breath: "Not bad, not bad." For many a corporation will turn out a third-quarter earnings statement indicating that its business has "turned the corner," many a company which ruefully tallied up red figures for the June quarter, will now show up in the black by a moderate margin.

Carriers Benefit from Rise

Already there are scattered indications of the improvement. The railroads, although they won't burst into new-found earnings glory, are reflecting the effects of increased business activity. In August, net operating income at \$45,377,000 was the highest for the year, and after fixed charges the Class I carriers in that month realized an estimated net profit of \$3,000,000, which compared with a deficit of nearly \$4,000,000 in July and of \$16,000,000 in June.

Most prominent factor in the altered complexion of corporation reports for the third quarter is that by diligent paring of costs, business men have been able to get along on a smaller gross without too great damage to their profit and loss accounts. An interesting example is Postal Telegraph & Cable, which in August managed to hold its net loss to \$346,261 on a gross of \$1,722,520, whereas in August, 1937, its loss was \$347,221 (virtually the same) on the much heftier gross of \$1,862,976.

Check-ups by *Business Week* with corporation executives indicate that business got down to the brass tacks of reducing costs just about as soon as the 1937 fall slump started, with quick results in stepping up efficiency in the utilization of labor, supplies, and inventories.

Third Quarter to Equal Second

As a whole, it is expected that corporations will show third-quarter earnings about equal to those of the second quarter, which include the spring rally months of April, May and June, and is

normally 20% better. Comparisons with the third quarter of last year won't be so good. Even though business started its turndown in the third quarter of 1937, July, August, and September marked the peak of industrial activity—and for most companies turned out to be the best profit months of the year.

Comparisons with 1937 may be more interesting in the next quarter's reports. In the final quarter of last year earnings were going down fast. This year the evidence at hand so far indicates that they will be going up.

Money for Industry

Investment trusts go into underwriting with SEC approval and eye on promising new companies.

IF THE BIG INVESTMENT TRUSTS can be of help in raising money for industry by going directly into the investment bank-

ing field, they're going to do it. After months of tentative hints from Washington and intensive study in financial circles, the ice has been broken.

The Tri-Continental Corp. and Selected Industries, Inc., two large trusts sponsored by the experienced international banking firm of J. & W. Seligman & Co., have formed an affiliate which will underwrite and distribute securities. Such activities long have been undertaken by the British investment trusts, and Securities and Exchange Commission Chairman W. O. Douglas has wondered for publication why it shouldn't be done in this country.

Plan to Do Underwriting

The exact nature and scope of the operations of the new company, to be known as Union Securities Corp., have not been determined by its management. That's not to say that its officers, who have devoted a good deal of time to setting it up, haven't delved into all the angles. They plan to go into underwriting and distributing, and they will

Election Fight Splits American Bankers Association



OFFICIALS of the American Bankers Association are not too happy about the forthcoming convention, Nov. 14-17, at Houston, Tex. Reason: a fight's in the offing, and it's disturbing. Two candidates are in the field for the post of second vice-president and the winner automatically becomes the A.B.A. president in 1940.

The nominating committee is all split up between (left) P. D. Houston, chairman of the American National Bank of Nashville, Tenn., and W. Laird Dean, president of the Merchants National Bank of Topeka, Kan. Houston has the backing of the so-called A.B.A. "old guard." They point to his wide banking experience and his work as a former treasurer of the A.B.A.

Opposition has crystallized on two

counts: (1) that Houston is under obligation to the Administration at Washington because the Reconstruction Finance Corporation owns \$3,500,000 American National preferred stock; and (2) that Houston is not strictly a unit banker, because the American National operates 10 branches.

The Dean group threatens to precipitate a fight on the floor if Houston gets the nominating committee's blessing. That's happened only once in the 60 years of A.B.A. history. In 1935, Orval W. Adams, present A.B.A. president, won an insurgent fight against E. G. Bennett, president of the First Security Corp., of Ogden, Utah, who, as a business associate of Federal Reserve Board Chairman Marriner S. Eccles, was stamped as a New Deal ally.

set up offices in several major cities in the East. Capital of \$5,000,000 is to be provided by the two sponsoring trusts, and \$1,000,000 has been paid in. The other \$4,000,000 will be available if and as needed.

It has been argued in recent years that the underwriters have been handicapped by insufficient capital since banks were forced by law to quit the field—that this lack of capital is one of the things handicapping them in filling industry's financial requirements. Hence the idea in Washington that the investment trusts could be of help. The new company's officers don't know how much help they can render, but if capital is the need they are ready to the tune of \$5,000,000.

Could Aid Little-Known Firms

Another idea often mentioned for investment trusts going into underwriting is that they could mother little-known but up-and-coming companies. Such concerns can't establish proper lines of bank credit for a variety of reasons, and they can't sell stock because they simply aren't well enough known or established. If someone would take them in, feed them money, and nurse them solicitously into the strength of an open market borrower, then everything would be orchids.

To the managements of Tri-Continental, Selected Industries, and the new Union Securities, that sounds very inviting. But they are free to admit that such situations are tremendously difficult to find. It's safe to say, though, that these and other investment trusts would gladly listen to the stories of companies which think they fit the category.

Money and the Markets

Soon the business indexes can be expected to show gains over a year ago, and the result should be increased confidence on the part of investors. Automobile and non-ferrous metal news is stimulating.

THE MARKETS are rapidly approaching a time of significant change, a time when the news will begin to record increases of so-and-so much over a year ago. About the middle of November, all things being equal, the *Business Week* index of business activity will cross 1937; about the same time the steel ingot production rate will move above 1937; production of electric energy should climb above a year ago early in December; and earnings, due to economies born of adversity, probably already have gotten ahead of 1937 in a majority of cases.

Confidence Gaining

For the first time in well over a year, the markets—and business, too, for that matter—henceforth are to benefit from the confidence which comes of widening gains over comparable periods a year earlier. This should be the largest single factor in shaping investment psychology over the months to come, and it probably has had a good bit to do with the fashion in which these markets have stood up under profit-taking in the last few days.

News from the automobile companies also is a potent factor in these markets. Conspicuous this week was word that the steel industry has given motor car manufacturers a reduction

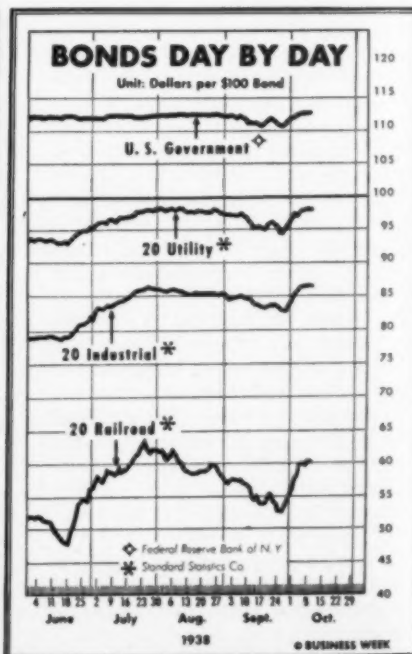
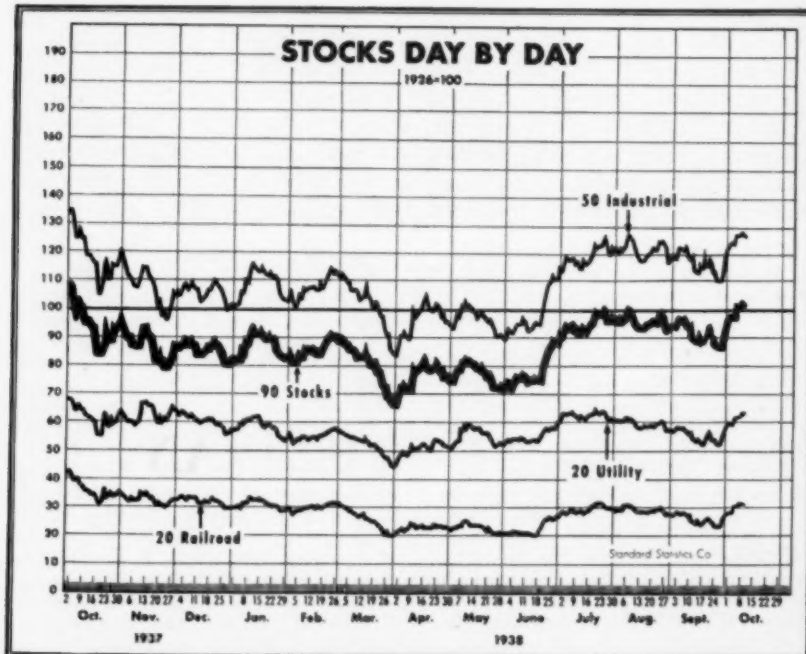
of \$4 a ton on their steel requirements. This action, coming a full month before the annual auto shows, gives the car makers ample time to shake down their price ideas, the better to make use of the apparently fertile market.

Supporting the belief that there is a large demand for new cars is the fact that manufacturers have been selling dealers far fewer cars than the dealers were passing on to customers. How dealers' stocks have shrunk may be judged by General Motors' sales reports. The corporation has shipped fewer cars to its dealers than have been sold to the public for months. The difference for the nine months ended Sept. 30 amounts to almost exactly 150,000 cars. That is to say, 150,000 cars have been taken out of dealers' stocks since the first of the year.

Metals Prospering

The rapid expansion in automobile manufacturing operations is having widespread effects. Among the most visible are those in the non-ferrous metal markets. Automotive takings of zinc have expanded sharply in the last three or four weeks. Part of the strength in the copper price may be traced to Detroit buying.

Much of the strength in copper, however, must be credited to London.



speculators abroad are active in, but, more important, arming continues to keep Europe's heavy industries running at a high rate. So is the copper business, in fact, that the international cartel this week agreed that it would be necessary to expand shipping quotas. This took the form of a boost to 105% of standard quotas for copper producers outside the United States. Only once have quotas been higher—115% at the peak of the 1936-37 boom.

Sugar is another of the commodities which have shown marked improvement. Prices sagged after the run-up that was incident to the war scare, but since have recovered markedly. Raw sugar in the last few days has commanded a price of around 3.15¢ a lb. Only a few weeks ago it sold as low as 2.65¢. The rise in raws also has resulted in a further advance in refined, which now is quoted at 4½¢ a lb. against a recent low of 4.30¢.

Strength in raw sugar is in no small part due to the fact that quotas allotted to the United States' off-shore suppliers are almost exhausted.

Metals Rise Sharply

Zinc makes excellent showing, and good reports are awaited from copper and lead.

AMERICAN BUSINESS IMPROVED steadily and substantially even as the world waked at the threats of war, and this improvement has been even more marked since the Czech settlement. These are facts which can be learned from the metal markets and the men who manage them.

That business went forward in nice fashion during the harassed month of September is evident from that month's statistics on production and use of zinc. The rest of the story is to be learned from those in the industry who can formulate a pretty good guess on what happened during September in other metals, and what has been happening in all of them since Oct. 1.

Zinc Shipments Expand

The figures on use of zinc in a given month always appear a week or so before those on copper, and a couple of weeks before those for lead. Hence the report of the American Zinc Institute is the only one so far available for September, and what it shows is this:

A further very sharp rise in apparent consumption, as represented by shipments to consuming industries.

Little change in production, which has been held down partially by intent and partially due to the smelter strike in East Helena.

A sharp drop in stocks of zinc on

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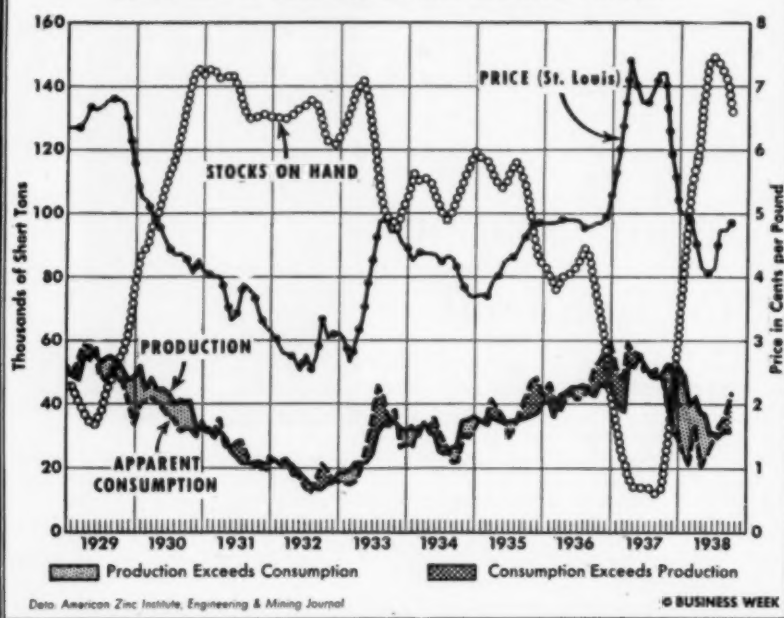
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ZINC PRICES RECOVER AS SUPPLIES DROP

Sharp Rise in Consumption Cuts into Stocks of Metal



hand due to the wide margin by which shipments exceeded production.

The changes, in detail, may be seen in the following tabulation (or in the chart above):

	(In short tons)		
	Shipments	Production	Stocks
1937			
Jan.	51,227	40,047	33,775
Feb.	46,953	37,794	24,616
Mar.	59,635	53,202	18,183
Apr.	56,229	52,009	13,963
May	55,201	55,012	13,774
June	50,219	50,526	14,018
July	49,701	49,181	13,561
Aug.	50,643	48,309	11,227
Sept.	47,737	50,027	13,517
Oct.	40,345	52,645	25,817
Nov.	32,676	49,393	42,534
Dec.	29,545	51,787	64,776
1938			
Jan.	24,931	48,687	88,532
Feb.	21,540	41,146	108,138
Mar.	33,528	43,399	118,009
Apr.	20,806	38,035	135,238
May	24,628	37,510	148,120
June	29,248	30,799	149,671
July	33,825	30,362	146,208
Aug.	36,507	32,296	141,997
Sept.	43,582	32,328	130,743

There is a little-known fact about those shipments of 43,582 tons in September which is of more than passing interest. Largest shipments for a long time have been of so-called prime Western zinc for galvanizing. Shipments of high grade zinc—for which the automobile industry is No. 1 customer—have been slack. In September, shipments of the two grades were neck and neck. With the auto makers stepping up operations almost daily, the story on high-grade zinc is expected to improve apace.

When the statistics on copper and lead are made public, these metals also are expected to make excellent show-

ings. There has been consistent improvement in the non-ferrous metals field since May. Better buying from the automobile industry has been a factor, but only now is becoming a major factor. And on every hand the talk is of still better business and higher prices in the months to come. Symptomatic has been the recent steady rise in the price of copper.

Side light on the recovery in the non-ferrous metals trade is the increased employment. It is estimated that 6,000 men have been put back to work since the first of August. More men at work in the mines and smelters spell more payroll checks to be spent in buying the products of other industries.

Tin Price Objective—Within the last few days the price of tin in London has gotten above £200 a long ton, the minimum objective set by the international committee at the time the buffer pool was formed (*BW*—Aug. 27 '38, p. 34). It took the cartel, implemented by the buffer pool, some time to get the price above £200, and it wasn't until after the end of the war scare that success was attained.

One thing which is helping the price of tin in London is the slow but perceptible rise in steel plate operations in the United States. Consuming lines delayed buying for a considerable period in the belief that a price reduction in tin plate was due. The mills finally reaffirmed prices for the last quarter of 1938—an unusual move, because the customary thing is to post prices for the ensuing 12 months.

That reaffirmation of prices didn't

convince the consuming lines. They felt that the price structure still was soft, and they expected an announcement of lower prices toward the end of the year. In the last few days, however, coincident with higher prices for tin, the talk all has changed. Where consumers only a few days ago were withholding orders in expectation of lower prices, they are now placing business in the full belief that the price move in tin plate more than likely will be upward.

Next problem: If tin plate business in the United States continues to pick up, can the cartel prevent runaway prices? The buffer pool, in conjunction with the shipping quotas, was set up to boost the price above £200 a long ton; yet the cartel let it be known at the same time that it didn't desire prices above £235. Can it preserve the £200-£235 market?

More Cotton—No sooner had cotton prices staged a nice recovery from the lows caused by the war scare than the markets received another bit of news which dampened sentiment. The latest government crop estimate, which is based largely on ginning returns, shouldn't be far from final figures, put the 1938 crop at 12,212,000 bales.

That's not a big crop. It's just about a normal year's domestic consumption and exports. But it's half a million bales or more in excess of average trade estimates on the crop, and it's 387,000 bales above the preceding government report.

In the final analysis, the size of the year's crop won't be the price determinant. The immense carryover of old cotton from the enormous 1937 American crop, plus the carryover from earlier years, plus the excess from record foreign production in 1937—those are the things holding prices down. Rising estimates of 1938 production serve simply to depress market sentiment even further.

The supply of American cotton for the 1938-39 crop year is well in excess of 25,000,000 bales. During that crop year—Aug. 1, 1938, to July 31, 1939—it is doubtful if very much more than 11,000,000 bales will be used, because domestic mills still aren't very active and exports are running pretty sharply below a year ago.

In an election year, this situation of more than economic significance already has assumed some political importance, and more will be heard of it prior to election. With opposition to the whole farm program mounting more may be heard from cotton in the next session of Congress. The domestic consumption bonus, the export bounty and higher government loans on seed plus cotton put into storage all are strongly agitated.

BUSINESS ABROAD

What do Washington's new Latin American policy, Japan's new military drive near British possessions in South China, and the world's new attitude toward Germany mean to business?

From Wireless and Cable Reports by Business Week's Foreign Bureaus and Correspondents

BUSINESS IN THE UNITED STATES and Canada is improving; in Europe it is sluggish except for feverish activity in the armament industry. Local factors influence each country, but behind these is a set of world conditions fundamental to all business.

The Munich settlement has proved that military force determines the outcome of international conflicts, whether or not it is used. Not one major power believes that peace is assured.

Business this winter will be sharply reflecting international developments in three quarters, for clues to the future:

(1) While Germany is busily engaged exploiting markets in southeastern Europe, and possibly preparing new demands for colonies or other minorities, the world is assuming a new and real attitude toward Hitler. It is going to make an equal of the Reich, and to hope that Berlin's fanaticism will under greater prosperity gradually give way to moderation. The United States will share in this effort—possibly through a trade agreement.

(2) Japan has obviously lost its respect for British authority in the Far East. The new Nipponese offensive around Canton is dangerously near British-owned Hongkong. If the Japanese choose to make a showdown now, it is doubtful if the British will resist with force. Will the United States attempt to stop Japan short of Hongkong and the Philippines for the sake of keeping at least a part of the China market open, and of protecting rich supplies of such raw materials as tin, rubber, and oils?

(3) How is Washington's new "good neighbor" program in Latin America going to affect business? The fact that President Roosevelt may go to the Pan American Conference at Lima, Peru, in December indicates the importance attached to the program.

Argentina Will Buy Less—In spite of the good crop outlook, the recent modest bulge in exports, and the prospect that the country will end the year with a smaller deficit than expected, United States exporters should not expect the Argentine market for most staples to improve during the next few

months. There has been no relaxing of permits for the importation of any United States goods except agricultural equipment, and the differential between the "official" and "free" exchange rate is now about 20%. It is a temporary situation, but one that is not likely to

carried over, it is reported that the new budget will provide funds for the renewal of air force equipment.

Argentine news is being broadcast weekly on Friday at 4 p.m. E. S. T. in English for both British and United States consumption.

Brazil Will Pay

BRAZIL is having an unusually successful coffee export season, at remarkably steady prices. Nevertheless there has been some worry among United States exporters over the delay since the European crisis in the provision of dollar exchange by the Bank of Brazil to cover payments on imports.

This was partially cleared up this week when Bank of Brazil officials announced that incoming dollar drafts covering United States payments for imports from Brazil would be liquidated immediately, and the proceeds assigned to the payment of Brazil's commercial obligations to the United States.

This is the most reassuring news United States exporters have had from Brazil for a month. Though there may still be a 30-day delay in liquidating the drafts from Rio de Janeiro, this will be an advantage over the 60-day wait demanded of other foreign commercial creditors.

change much until world demand for Argentina's farm products revives.

Defense equipment will still be purchased. The six destroyers which the British have been building for the Argentine are completed now. The German Focke Wulf aircraft company has won a contract for the construction in the Argentine government's military airplane factory at Cordoba of Focke Wulf planes, 50 of which have already been assembled and delivered. These are light training planes. Heavy bombing type planes are likely to be purchased in the United States. In spite of the budget deficit this year which must be

Hitler Worries Britain—The caustic references to the democracies in Hitler's speech in the Saar on Oct. 9 depressed British business this week. Stock market prices declined, government bonds weakened, and the pound sagged. Individual steel and aviation stocks were almost the only ones to advance against the general downward trend this week.

Pressure on the pound forced it down to \$4.75 at one time early in the week. Lack of confidence is due to the bad reaction to the Hitler speech in the Saar with its reminder that there is no broad basis yet for permanent peace, to the continued heavy adverse trade balance caused by the rush of imports for the rearmament program, and to the fear that export business is likely to continue to suffer from the intensification of the arms program.

It is to counteract this adverse influence on exports that the Association of Chambers of Commerce has called a conference in London on Oct. 19 and 20 to discuss the country's export problems, the possible extension of export banking facilities, fresh credits in regions where they are necessary if British trade is to expand, and whether or not British prices are seriously out of line with those of their main competitors.

The air defense program is being pushed to the limit in a desperate effort to repair the grave deficiencies emphasized during the recent crisis. A new \$5,000,000 airplane factory is being built at Gloucester, and more than \$2,500,000 of extensions have already been contracted by existing plants. The Canadian air mission arrived in London Oct. 13 to discuss with the defense authorities what volume of British orders can be handled in both the near and distant future.

France Must Economize—The firm hold which the Daladier government seems to have over the country has given a little courage to French busi-

ness this week, but the longer term outlook remains gloomy.

The enormous withdrawals of bank deposits during the crisis have again forced the treasury to turn to the Bank of France for additional funds. This boosted circulation by 12,000,000,000 francs. If these abnormal withdrawals do not come back to the banks or to the state in the form of purchases of government bonds, they will quickly have a bearing on internal prices. If, due to a lack of confidence in the soundness of the management of French finances, a part of these funds should be sent abroad, this would force a further drop in the country's gold reserves.

This situation has forced to the attention of the business public the fact that France cannot go on having weekly treasury requirements of 1,000,000,000 francs, when yearly savings amount to only 26,000,000,000 to 28,000,000,000. Up until now the public has been fooled into believing that the expenditures are mainly military. Actually, the military takes little more than one-third. Some of the principal economies which must be made are a reduction in the number of government employees and in the amount paid in pensions.

This has to take place because French business needs money for fixed investments and for working capital on account of the declining purchasing power of the franc. Undistributed earnings are not sufficient to keep pace with the demands. Business, in any recovery, will have to get its funds from the public.

Germany Finds It Expensive—A sober appraisal this week of the Munich accord indicates to the German business community that, while preserving peace for the time being, it is causing an acceleration of the armament race, which has become the main driving power in European business, and brings an unavoidable strain on public finance with probable higher taxes on business. Reich officials are face to face with the alternative of concealed credit inflation and straight currency inflation.

With military occupation completed, Germany has already started work on the economic assimilation of the Sudetenland by fixing the exchange rate between the Czech crown and the German mark in the newly annexed territory. The differential is set at 35% above the existing parity, thus discounting the difference in internal purchasing power of the two currencies. Though this radical solution facilitates the wage-price adjustment to the Reich, it handicaps severely the Sudeten export industries in their fight for maintenance of their export markets.

Canada's Trade Up

Construction and foreign commerce expanding, aircraft orders expected.

OTTAWA—Business is showing signs of buoyancy. Heavy industries are operating on about the level of August and September, construction is now better than during the summer and about 10% behind last year, foreign trade is definitely recovering, domestic trade is steady with slight improvement.

One result of the late European crisis will be more and larger armament orders for Canadian plants. In 1937, defense appropriations were raised from about \$15,000,000 to \$35,000,000, and the latter sum was authorized again this year. Next year's outlay probably will be in the neighborhood of \$50,000,000. The emphasis will be on aircraft. With the British orders already assured or in prospect, for which Canadian plants are now being prepared, and new Canadian orders, aircraft manufacture will assume important proportions in Canadian industry in the next two or three years.

Prime Minister Mackenzie King's

holiday in the southern part of the United States is timed to take him to Washington for the signing of the trade pact.

Opening of the United States market to Canadian fish is confidently expected as one provision of the trade pact. No other Canadian industry now suffers as much from inadequate markets as the Atlantic fisheries and it is known that concessions on fish have been foremost in Ottawa demands in the treaty negotiations. The past Washington, for domestic reasons, has been unable to make concessions of any great value to Canadian fisheries, but in the present triangle bargaining the concessions which Canada has been required to make have made it impossible for the United States to ignore the case for low duties on Canadian fish.

Nickel Stressed in Markets

Nickel stocks are the current feature of the Canadian markets. The reason is in earnings records of International Nickel and Noranda. Stock of the latter has climbed about 30 points since the year's low; the advance of the former has been only slightly less.

Selling to Argentine Railroads

Buenos Aires government acquires another line, and American equipment makers hope to increase sales

BECAUSE MOST of the railways in the Argentine are owned by the British or the French, who insist on placing their equipment orders with affiliated machine shops at home, the only important buyer of United States railroad equipment in Argentina has been the government rail lines.

When the government negotiated the purchase of the Córdoba Central railroad from its British owners a few weeks ago, it created more than a small stir among the United States equipment producers, though each of them admitted that hopes for future business still must be kept in narrow bounds.

Government Mileage Rises

There are several reasons why the purchase of the Córdoba Central is important:

(1) To the 3,000 miles of the Central Northern Argentine railroad, which is the only important government system, the Córdoba Central adds another 1,200 miles. With the smaller lines scattered around Argentina, this brings the total of government-owned lines to between 20% and 25% of the country's total rail mileage.

(2) The Central Northern Argentine railroad connects potentially rich but still sparsely peopled outlying regions of

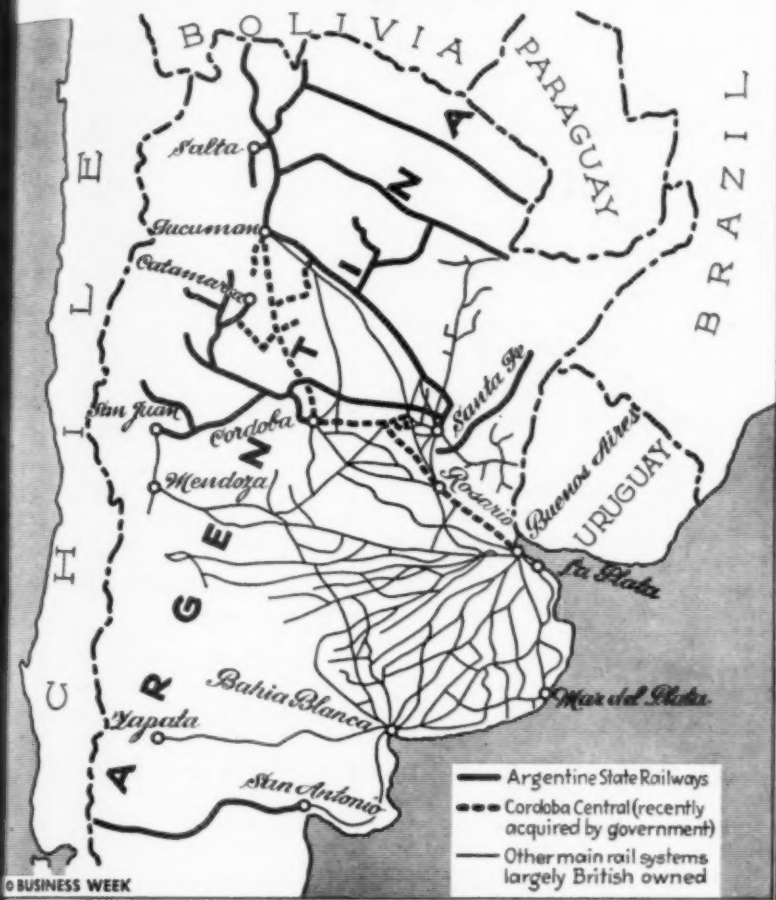
the country with such inland cities as Tucuman, Santa Fe, and Córdoba (see map, p. 45) but, until the Córdoba Central was acquired, there was no right-of-way into Buenos Aires except on one of the private lines. Since much of the traffic in Argentina originates in the capital, or is shipped there for export, the government system is now in a much more advantageous position.

(3) Though no other private line has been purchased recently except the Transandine, a bill is before the Argentine Chamber of Deputies proposing nationalization of the railroads, and offering to purchase other lines which are ready to sell at the government terms. No other important rail system is expected now to be offered to the government, but the introduction of the bill and the purchase of the Córdoba Central are believed to point an important trend toward greater government control and possibly, in the distant future, to widespread government ownership.

It is not forgotten that Buenos Aires is the second great metropolitan center after London to compel coordination of all of its transport services—trains, street cars, and buses. The plan is new but it is already so successful that talk has been started on rationalization

NEW MARKET FOR RAILROAD EQUIPMENT?

Purchase of British-owned Cordoba Central Railway gives Argentine state railways (old customers for U. S. equipment) important new mileage, and right-of-way into Buenos Aires



all of the country's transport services. It is this new importance of the government railways and the probability that they will expand further, which has stirred new hopes among United States railroad equipment producers, but there are at least four reasons why they are watching cautiously for next developments:

(1) More than 75% of the country's mileage is still in the hands of foreign owners, and an important portion of these systems is still operating profitably. Their business will continue to be placed in Europe, mostly in Britain.

(2) During the last few years, United States firms have been operating at a particular disadvantage in the Argentine market, and have lost considerable business, even on the state railways, to the Belgians and other producers.

Dual Peso Rates Hit U. S.

Argentina does not have a free foreign exchange system. There are two values for the peso, the official and the "free" rate. The difference between the two rates amounts to nearly 20% now. The Argentine allows nations which

buy at least as much from the country as they sell to it, to trade at the official rate. Licenses are granted covering this business. Other business, for which the Argentine government refuses a license, must be transacted at the "free" rate, which means at a price differential now automatically 20% greater than for favored competitors.

The United States is not on the favored list, except for a few products including agricultural equipment. Railroad equipment definitely is not included, so that American producers are at a 20% price disadvantage even before they begin to bid against most of their European competitors. This probably accounts as much as any other factor for the recent loss of government railroad orders to the Belgians and other European suppliers.

(3) The United States has no trade agreement with Argentina. If one is negotiated this winter, as is confidently expected in Buenos Aires and Washington, it may clear up this exchange problem, or at least put it on a basis more favorable to the United States.

(4) If the present visit to South

America of Warren Lee Pierson, president of the Export-Import Bank, really means that this country is preparing to extend trade credits through the bank, as is definitely expected, it will provide a second possible way of improving this country's bargaining position in the Argentine market.

FOREIGN ANGLES

WILL MEXICO PAY?

WASHINGTON HAS PROPOSED TO Mexico a compromise plan for the settlement of the controversy over the claims amounting to more than \$10,000,000 filed by United States citizens who held farm lands in Mexico. This is an entirely separate problem from the more recent and much larger expropriation of United States-owned oil lands. The plan which Secretary Hull and the Mexican ambassador in Washington have worked out, and which is now before the Mexican government, provides for (1) Mexico to set aside at once certain government revenues to accumulate in an indemnification fund while the settlement is being negotiated, and (2) halting all new expropriations of United States-owned farm lands. Significance: (1) If the plan is accepted, it opens the way for settlement of the oil expropriation question and prepares the way for some more amicable relationship with Mexico in the future; but (2) sets the precedent of acknowledging the right of expropriation of foreign property, probably with slow and very modest indemnity payments.

JAPS WANT AMERICAN PLANES

Business Week's Tokyo correspondent reports that high Japanese authorities have been negotiating in Japan with representatives of the Lockheed and Douglas aircraft companies for rights to build commercial planes in Japan. Lockheed officials here deny that any agreement has been reached with the Nipponese authorities, but the highly-placed Vice-Admiral Kenji Maebara, retired commander of the Japanese fleet and former chief of the air force, is in this country now and is reported to have visited both the Lockheed and Douglas plants, as well as the Boeing and North American aircraft factories on the West Coast.

BILLION DOLLAR CO-OP

THE KANSAS CITY CO-OP CONFERENCE this week reflected for a few minutes on the size and success of the British co-operative movement. The 1,133 co-operative retail societies in Britain in 1937 sold more than \$1,241,000,000 worth of goods to 8,023,073 members. Salaries and wages of workers absorbed more than \$154,000,000, or 12.4% of income.



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A USE FOR OUR SILVER

WHEN the National Foreign Trade Convention meets in New York on Oct. 31, one of the topics which will be discussed in the corridors if not in the formal meetings is a plan whereby the Export-Import Bank would be authorized to make loans of silver bullion (repayment in kind) to any foreign company or nation willing to spend the equivalent of at least 80% of the current United States value of the loan for United States merchandise. Claim of the originators: the government would remove a part of the stigma on its silver program by putting the idle metal to work; rehabilitation could be speeded in such needy countries as Spain and China; it would supplement our reciprocal trade program and the more normal credit extending functions of the Export-Import Bank in helping to boost our world trade.

JAP CARS FLOP

JAPANESE MILITARY AUTHORITIES have given permission to the Nissan and Toyota automobile companies to offer their cars on the civilian market. The reason is that the Nipponese army in China is tired of monkeying with Japan's poorly built vehicles whose frequent breakdowns have become more than a nuisance in a military situation which requires quick and reliable transport. At the beginning of hostilities, more than 70% of the army cars were said to be of Japanese make. At present, they are only an insignificant part of the army's fleet of cars.

WATCH GERMANY

WATCH GERMANY move into the Near East! German salesmen started their present march down the Danube in 1933, had their most successful year in 1936, were ready to take off in the latest push the day German forces occupied Vienna (BW—May 7 '38, p. 31). The \$65,000,000 credit which the German Economics Minister offered the Turks this week successfully counteracts the \$80,000,000 loan which the British provided last spring, and marks the revival of Anglo-German trade rivalry in the Near East which once more may precipitate a clash when the Germans reach the Persian Gulf and go after the rich India market. The United States has never had a share in the munitions business in Turkey which the Germans now grab; but this country last year supplied nearly \$900,000 of industrial machinery to the Turks.

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EDITORIALLY SPEAKING

BY DR. VIRGIL JORDAN

President of the National Industrial Conference Board

To Saber Soloists

I don't know how a well-tuned saber is supposed to sound in the hands of a virtuoso. My own instrument is the rule, which tends to sound a rather dull note these days. But my ear is sensitive enough to economic harmonies and political overtones to make me suspect that there has been a sad decline in amateur saber rattling in this country in recent years and that this ancient instrument may have fallen into undervalued disrepute.

The White House spokesman is an authority on the art, and his recent criticism of the saber-rattling recitals of the past season is probably justified; but I hope it won't discourage the few business men who have been practicing their saber scales and arpeggios as a hobby. It takes all kinds of instruments to make a good band, and a few rattling good sabers lend life and color to the score of social progress. A little rattling music for the saber is more appropriate for the American spirit than a continuous chorus of doves or cuckoos. My point is that there can't and shouldn't ever be any solo instrument in agency of economic and social advancement. Government without the counterpoint of vigorous and vigilant enterprise among its people inevitably becomes a monotonous and tiresome one or a terrific racket. But business itself is likewise no less incomplete in its capacity to meet all social needs. Some of these—and they are always changing—must be served by various kinds of collective action in which the people cooperate by preference or to which they consent by compulsion. Without both business and government you can't have any kind of civilized and progressive society, and conflict as well as contact and cooperation between them is inevitable. Discords in the social symphony are an indispensable part of the music to which civilization marches. Neither state authority nor enterprise alone has ever set the theme song of progress for long.

It is the inherent tendency of government and enterprise each to expand to the utmost its power over the natural and social resources of a nation. They are always in competition with one another to command the wealth and working capacities of the people. Neither can completely or permanently rule the kingdom alone. If enterprise tries it neglects increasing collective needs upon which the common security depends, or any society must use some of its

resources collectively to preserve order, to protect persons and property against violence, theft, fire, flood, disease, and destitution. If the state alone is absolute the enterprise of the people dries up and dies, their social resources are weakened and dissipated.

There have always been hopeful people who have wanted to draw an everlasting line between these two forces, to fix once for all by some final formula the boundaries of business and government within which each shall function forevermore. But such boundaries are like those that the four powers fixed for Czechoslovakia in Munich recently when they proclaimed "eternal" peace in Europe. The problem of the relations between business and government will never be permanently disposed of by any arrangement of words, even when written into a Constitution.

It isn't merely that a Supreme Court listens to election returns. There is a deeper plebiscite that draws these boundaries and determines the province of government and that of enterprise from day to day. The decision is made by the vote which the common consumer casts when he spends his dollars for his daily living, and it is determined ultimately by the fundamental facts of his economic needs and the country's economic capacity. Both government and enterprise draw their substance from the same pot—the national product of goods and services. If the citizen wants to get more of his satisfactions from the state he must take less from business. If he wants more from business he can't get so much from government. He is never able to have it both ways.

This inescapable arithmetic doesn't preclude cooperation between enterprise and public authority. In the end it enforces upon them some sort of armistice, because they both have to satisfy the same customer. It compels them to sit around the table in a sort of continuous peace conference, allocating their respective territories according to the daily returns of the consumer plebiscite. But that is the only kind of peace there can be between them for long. They must always be implacable competitors for the consumer's dollar, on the basis of their ability to serve him. Neither should be permitted a monopoly privilege. Each should know all about the other's business, and each be on his toes to capture the other's trade.

So I hope our sabers will be kept tuned up, and that everybody will run through a few rousing rattle exercises on his own every day.

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OCTOBER 15, 1938

Tax on Small Business

A LITTLE OVER FIVE MONTHS AGO, Congress passed a new tax law which was supposed to bring capital out of hiding. Its provisions covering levies on capital gains weren't written specifically for the small corporation, but there was a strong "help-the-small-business-man" promise behind the whole enactment.

However, if the sustained complaint of small business that it cannot raise money is to be accepted, the promise hasn't been kept. The changed method of handling capital gains obviously represents some improvement, but the tax remains high enough to discourage a type of investment already risky enough.

England has no capital gains tax as we know it, figuring that death duties will get these gains in the long run anyway, but it is probably idle to hope for complete abandonment of this form of taxation here. It goes with our soak the rich philosophy, and that philosophy is too obviously bread and butter to the politician. Yet there is good reason to urge abandonment of a tax which not only doesn't produce enough revenue to mention but puts the brakes on industrial growth as well.

THE INEFFECTUACY of the capital gains tax as a revenue-producer in itself has been repeatedly demonstrated in practice. Now the law-makers are getting a chance to watch how it works as a preventive of corporate growth. And, in the bargain, they can see how, by acting as a brake on investment and holding down the growth of corporate incomes, it cuts the yield of federal revenues from the normal corporate income tax.

The old capital gains tax obviously couldn't be defended. If a man with money put some of it into a small business and the small business prospered, his gain in capital had, in large part, to be included in his income at such time as he saw fit to take his profit. That shot his taxable income way up into the surtax brackets. It was a heads-I-win, tails-you-lose proposition. On the one hand, it discouraged investment, and on the other, it froze those investments which had been made and which had proved reasonably profitable.

The new law treats gains realized under 18 months as income; on gains realized in 18 to 24 months, half the gain may be put into income and the tax paid thereon, or the taxpayer may pay a straight 20% on the entire gain; on longer-term investments, the op-

tion is to add 50% of the gain onto regular income or to pay a 15% flat tax on the entire increment.

It was argued that this offered an inducement to investors. But the results have demonstrated that it does not. Evidence accumulates that investment money can't see its way clear to take the risk which is inherent in a business venture, even if it's a good one, so long as it also has to take the taxing which follows on the closing out of a successful investment. In the long run, tax-exempt bonds seem more attractive to those who have the money—the income from them isn't to be sneezed at, and there's an absolute minimum of worry about loss.

IT'S PERFECTLY OBVIOUS that most small businesses in need of money haven't got a proposition which can be taken to the bank (Jesse Jones to the contrary notwithstanding). Moreover, they can't sell stock to the public, that being one of the concomitant handicaps of smallness. What they have always done, if they were to get money at all, was go to some person or group of persons who had money to put to work in sound industrial ventures.

The people who want to employ their money in that way are still with us, and they still have money to employ. But they haven't money to invest at the prevailing odds when a house "take" of 15% and up has to come out every time they win. Even the lure of being able to carry over the losses as a tax offset, if losses develop, isn't enough.

Death duties being what they are, there's good reason to believe the government would collect more revenues by allowing private capital to grow. The benefits which would derive from keeping such capital productively invested during the possessor's lifetime aren't even open to argument.

Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd St., New York City. Tel. ME 6-0100. Price 20¢. Subscription: \$5.00 a year, U.S.A., possessions, and Canada. Other foreign, \$7.50. Cable code, McGrawhill.

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